

Crisis talks on Iran unrest

Crisis meetings are taking place in Tehran after a weekend of anti-Shah violence which has left hundreds killed and wounded.

There is overwhelming evidence that the toll is much higher than the official casualty figures of 11 dead and 56 wounded.

Since the start of the mourning month of Moharram on Friday, the 9-p.m. curfew has been ignored by thousands.

It is understood that the setting up of a new civilian government is being considered. The Shah's future is another of the key subjects under discussion. **Back Page**

Israelis draft reply to Sadat

The exchange of letters between Israel and Egypt was described by Prime Minister Menachem Begin as "a very important contact" between the two governments.

The weekly meeting of the Israeli cabinet agreed the text of Mr. Begin's reply, but whether it, or Mr. Sadat's letter, will be published unless both sides agree.

No decision seems to have been taken on whether to send the Israeli negotiating team back to Washington. **Page 2**

SWAPO arrests

Six leaders of the South West African People's Organisation (SWAPO) were arrested by South African police on charges of plotting in the South African-occupied Namibia elections.

The arrests followed two bomb blasts in the capital, Windhoek. **Back Page**

Ian Smith plea

Rhodesian Prime Minister Ian Smith in nationwide radio and TV broadcasts defended last week's "National Government" proposal, and appealed to the 250,000 whites to stay in the country and make the internal settlement work. **Page 2**

British envoy Geoffrey Hughes arrived in Pretoria to continue his attempt to set up all-party talks on Rhodesia, and to offer a rebuff for the idea from guerrilla leader Joshua Nkomo.

Kidnap hunt

Road blocks were set up on main roads throughout Malaya as security forces hunted kidnappers of British bank officials Ian Muskie and Michael Chatterton, seized on Thursday.

Refugee deaths

Nine more Vietnamese were feared dead after further incidents involving refugee boats off Malaysia's east coast. More than 350 refugees are thought to have died in the past two weeks.

Another 15 Vietnamese refugees drowned when their boat sank off Narathiwat in southern Thailand.

Pole fault

Flagpoles outside the House of Commons go up and down "with the regularity of a fiddler's elbow," says Labour MP John Ellis. He is to ask Peter Shore, Environment Secretary, for an explanation today.

Briefly

Attempts to rescue 41 black miners trapped in a blazing gold mine south-west of Johannesburg were abandoned. All are believed dead.

Tornadoes in north-west Louisiana killed three, injured 100 and caused widespread damage.

Unmanned U.S. spacecraft Pioneer Venus 1 manoeuvred successfully in readiness for going into orbit round Venus today.

Pressure on Britain for early decision to join EMS

BY GUY DE JONQUIERES AND PETER RIDDLELL, BRUSSELS, DEC. 3

THE PRIME MINISTER is expected to be urged by other EEC Government leaders this week to commit Britain to becoming a full member of the proposed European Monetary System as soon as possible.

Previously, they want Britain to join well before the end of next year.

Mr. Callaghan will probably also be asked for a firm undertaking that, meanwhile, the UK will try to ensure that the sterling exchange rate will be closely aligned with those of other EEC currencies.

Mr. Callaghan will tell other leaders that the Government's economic and monetary policies are designed to achieve that stability, whether the UK joins the EMS or not.

Several of Britain's EEC partners are thought likely to insist at the two-day European Council summit, which opens here tomorrow, that such pledges are necessary if they are to respond positively to the UK's demands.

These are principally for better distribution of financial burdens within the EEC through Community Budget reform and a cut in expensive agricultural subsidies.

These objectives remain controversial, especially concerning the Common Agricultural Policy. However, there have been indications recently that at least Chancellor Helmut Schmidt of West Germany is prepared to listen to serious proposals provided that Mr. Callaghan is willing to set a target date for full membership of the system.

Diplomatic contacts have been intense since last week in an effort to resolve differences between the nine Governments before tomorrow's conference.

They have been focused on a meeting of senior national officials in Frankfurt at which Britain was represented by Mr. Michael Butler, an assistant under-secretary at the Foreign Office.

Britain's partners might apparently settle for a personal statement from Mr. Callaghan of Britain's intent to become a full member of the system, perhaps after next year's general election.

Reservations

So far, Mr. Callaghan has given no indication that he will comply. In a confidential letter to other EEC leaders at the end of last week, he repeated reservations about aspects of the scheme and said that Britain might not participate at the outset in its central mechanism for linking EEC exchange rates.

There has been speculation this weekend that some leaders may press for launching the scheme immediately after this week's meeting instead of the start of next year, as originally planned. They are apparently concerned about possible foreign exchange market disturbances caused by the widespread belief that the two-shock will have to be received again before the scheme starts.

Nevertheless, numerous technical points have still not been agreed, and it is unlikely that the UK will be able to join the scheme before the end of next year.

Continued on Back Page

OPEC bank deposits cut for first time since 1973

BY NICHOLAS COLECHESTER

THE SECOND QUARTER of 1978 was the first since the 1973 oil crisis in which the OPEC countries and their allies have cut their bank deposits with the international banking system, says the quarterly report from the Bank for International Settlements. Deployment of oil money was therefore no longer a source of growth in the international banking system.

With new borrowings of \$2.1bn and withdrawals of \$3.5bn, the OPEC countries were the largest net bank borrowers of all groups of countries in the second quarter.

This development reflected the rapid contraction of their balance-of-payment surpluses, and the \$5.2bn decline in their gross reserves in the first half of this year.

Withdrawal of oil funds was widespread among the OPEC states, and involved several of the largest oil exporters, such as Iran, Kuwait, Libya, Saudi Arabia, and Venezuela.

The new borrowing was chiefly by Venezuela and Algeria. Of the \$3.5bn withdrawn, \$2.7bn was in dollars, while about a third of the new borrowing was in the same currency.

While OPEC made the largest net demand on the banking system in the second quarter, the non-oil developing countries were the heaviest gross borrowers.

They raised \$4.2bn from the banks, while depositing \$2.1bn. In the first half these countries borrowed \$7.5bn gross, three times as much as in the previous year's first half.

Net borrowings of the non-oil developing countries in the first six months of \$2.1bn were in contrast to their net deposits in that period. Again, this was a reflection of the deteriorating balance-of-payments position. The fact that they chose to increase borrowing rather than slow the pace of reserve accumulation suggests that they have been taking advantage of the favourable spreads available in the international credit market.

The big borrowers among the non-oil developing countries were Latin American countries, which accounted for about two-thirds of new gross borrowing.

The deposits were more widely spread. Ex-Gratia European countries raised \$2.4bn in new loans in the second quarter, and here too the new gross borrowings in the first six months of \$4bn were substantially higher than the \$0.8bn raised in the same period of the preceding year.

This increase was due, as with the non-oil developing countries, to a shift from deposit reduction to borrowing.

International capital markets. **Page 35**

Strike affects all newspapers

BY NICK GARNETT, LABOUR STAFF

THE WHOLE of the newspaper and broadcasting industry became embroiled at the weekend in the first half-century national strike by provincial newspaper journalists, which begins today.

The executive of the National Union of Journalists agreed to instruct its members in broadcasting and on national newspapers not to handle any copy from the Press Association, the national news agency, from noon today.

The NUJ's 200 members at PA have been instructed to stop work from mid-day in support of the 9,000 provincial journalists who are seeking a £20-a-week rise. About 1,200 newspapers are affected.

The union chapel (office branch) at PA meets this morning to decide whether to obey the instruction. Many NUJ members are certain to exert pressure against industrial action.

The executive's instruction to Fleet Street and broadcasting journalists not to handle PA copy takes effect irrespective of the decision by the agency's chapel.

The union is also notifying freelance members not to send copy to the agency or to send to national newspapers copy that would normally be sent only by PA.

The effectiveness of the provincial strike will be determined by the extent to which PA journalists follow the instruction. Mr. Harold Pearson, who represents the PA and London news agencies on the NUJ executive, said last night that he was resigning from the executive immediately.

Mr. Ken Ashton, NUJ general secretary, said at a press conference yesterday that the union was looking for a "short, sharp struggle" to secure a much improved pay offer. Union officials say, however, that the dispute might become long and bitter if support from agency journalists proves thin.

The Newspaper Society, representing national employers, has offered a 5.7 per cent pay rise provided that provincial journalists are recognised as a "special case". The society's council meets on Wednesday.

The executive of the Society of Graphical and Allied Trades is understood to be recommending its members to co-operate with managements of national newspapers in increasing print runs during the suspension of the Times. The executives of other time unions are meeting this week to reassess their position on the dispute. Lord Thomson of Fleet, president of Times Newspapers, who is expected to involve himself in the crisis, arrived in Britain at the weekend.

Russia in talks on new car

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

MOSCOW, Dec. 3.

THE SOVIET UNION wants to put a family saloon of Cortina size on the road as quickly as possible, and has had initial discussions with a handful of West European manufacturers about the project.

Ford, General Motors—which makes Opel and Vauxhall cars in Europe—Renault and Chrysler have been involved in the talks. The Russians insist that though the project is in its very early stages, some Western car-makers are seriously interested.

Negotiations will be complex, but the Soviet Ministry of Automobile Transport hopes they will be completed in time for the start of the next Five Year Plan in 1981.

The idea would be for one of the two plants near Moscow now making the outdated Moskvich cars to switch production to the family saloon, which would be identical with a model produced in the West. Up to 200,000 a year would be produced.

At present, the Soviet Union wants the Western manufacturers to pay for the re-equipment programme and then take cars produced at the Moscow plant in payment.

About 30 per cent of the output would be exported and any of the companies named could easily absorb the 60,000 to 70,000 cars a year involved in their European sales networks.

Production costs are much lower in Russia than in the West and the scheme could be highly profitable for the Western manufacturer concerned.

But tremendous obstacles have to be cleared away for the project to come to fruition, not the least of them the political problems facing U.S.-owned concerns like Ford and General Motors in a deal of this sort.

EEC proposes cuts in farm price support

BY MARGARET VAN HATTEM

BRUSSELS, Dec. 3.

RADICAL CHANGES in farm policy, including cuts in price support for more than a quarter of the EEC's 85m farmers and a price freeze for the rest, will be put to Community heads of government meeting here tomorrow.

The European Commission, in a paper on the future of the Common Agricultural Policy drawn up for the summit, urges heads of government to approve new guidelines that would commit Agriculture Ministers for the next five years to curbing growth of food surpluses and cutting back spending on agriculture.

Specific proposals include:

- A general price freeze for 1979-80. The Commission further insists that support prices should be held down as long as surpluses remain.
- Automatic cuts in price support measures for dairy farmers, if milk output rises further. It is estimated to have risen 3.5m tonnes already this year.
- Direct income subsidies for small-scale farmers, particularly in the dairy sector.
- Alignment of national farm price levels, if and when the proposed European Monetary System (EMS) succeeds in stabilising EEC currencies. The present system—with German farm prices more than 44 per cent higher than British ones—costs the Community more than \$1bn a year in subsidies (Monetary Compensatory Amounts) on intra-Community exports, to offset differences between national price levels.

The real battle will begin with presentation of detailed price proposals later this month.

Christopher Pakes writes: A one-year freeze on the European Community's so-called "common" farm prices will bring no direct benefits to consumers in Britain. Many retail food prices will continue to increase according to seasonal and climatic factors regardless of any decision at the Community summit.

The paper was drawn up by Mr. Finn Olav Gundelach, EEC Agriculture Commissioner, and approved by the other Commissioners last week. The Commission appears optimistic that government leaders will approve it without major changes, but feels that tougher measures would not be politically possible.

The call for a "rigorous" prices policy, "so long as major market imbalances exist" and for cuts in returns to milk producers should their production rise, appears revolutionary after eight years of price increases.

Although the paper emphasises the need to eliminate market imbalances, there is nothing to suggest that the proposed measures would do more than check the growth of surpluses. Moreover, although govern-

ment leaders may approve the guidelines, it will not be clear until Agriculture Ministers begin negotiating the next Farm Price Review how far EEC governments consider themselves bound to accept proposals within the framework.

EEC leaders, including Herr Helmut Schmidt, the German Chancellor, have often spoken out in public against the absurdity of paying farmers to produce surpluses, urging cuts in the cost of the CAP. But this has never discouraged their Agriculture Ministers from pushing for higher prices.

Reforms

The Commission, in seeking a firm, long-term commitment on farm price policy at summit level, evidently hopes to weaken the Agriculture Council's near-absolute control over three-quarters of the Community budget.

Summit approval of its paper could be an important first step towards some of the reforms Britain is seeking as a condition for its full participation in the EMS.

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But Agriculture Ministers, most of whom see themselves as farmers' representatives, will not take kindly to the implied reduction of farm incomes, even though the Commission considers most farmers sufficiently well-off to withstand it and even though the rise in farm costs over the past year has been minimal.

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OVERSEAS NEWS

Desai faces row with rebel Ministers

By K. K. Sharma

NEW DELHI, Dec. 3.

MINISTERS in the Indian Cabinet seeking confrontation with the Prime Minister, Mr. Morarji Desai, because of the Janata Government's poor image and performance, are expected to meet him this week following a by-election today.

The crisis began after the former Prime Minister, Mrs. Indira Gandhi, won a seat in parliament last month in the southern state of Karnataka, but Mr. Desai's critics were asked not to bring it to a head until two more by-elections were over.

In the first of these, at Samastipur, Janata won. The second was today's polling in the Fatehpur constituency of the northern state of Uttar Pradesh.

Mr. Desai came under fierce attack at a party executive meeting after Mrs. Gandhi's victory, mainly at the hands of the Janata party president, Mr. Chandra Shekhar, and the Socialist Minister of Industry, Mr. George Fernandes. Both felt that Mrs. Gandhi had managed to win because of Mr. Desai's "non-performance" and the widespread disillusionment with the party because of its continuing internal squabbles.

Mr. Fernandes is widely reported to have told the Prime Minister that he does not want to continue in the Cabinet any longer, although he has denied that he has formally resigned. The resignation could come this week when Mr. Fernandes and some of his Cabinet colleagues are to meet among themselves and then with the Prime Minister.

Mr. Desai is not unaware of the moves and he is showing signs of bending before pressure on him to carry other members of the Cabinet with him. The first test of his willingness to relent will come in the next day or two when he will decide finally whether or not to take the influential farmers' leader, Mr. Charan Singh, back into the Cabinet. Mr. Singh was sacked about six months ago for blaming the Cabinet publicly for not taking action against Mrs. Gandhi.

Court challenge to U.S. pay policy

BY JOHN WYLES

NEW YORK, Dec. 3.

A SMALL U.S. West Coast paper workers union, describing itself as "The House that Roared," has launched what is thought to be the first legal challenge to President Carter's anti-inflation programme.

The activities of the 22,000-member Association of Western Pulp and Paper Workers have already had far more significance than the union's size would suggest. Since early July a strike by some 14,000 of its members has slashed paper production on the West Coast and, while there have been a few settlements, some nine companies are still resisting demands for double digit wage increases and higher pension benefits.

The introduction of the President's pay and price guidelines

on October 24 (limiting average wage and benefits rises to 7 per cent) has greatly complicated the dispute, although it has not lessened the union's determination to secure a two-year contract with pay rises of more than 10 per cent each year.

In a suit filed in a U.S. district court in Portland, Oregon, the paperworkers ask for a declaration that the policy is illegal on the grounds that the guidelines are really mandatory controls which the President has no power to authorize. Most observers had expected the first legal challenge to the President to come from an aggrieved company facing Government sanctions for ignoring the guidelines.

However, it is clear that the

union's action has been sparked by a letter sent by the Council on Wage and Price Stability telling Crown Zellerbach, one of the worst-hit companies, that pre-guidelines settlements signed by other pulp and paper companies did not establish a "tandem relationship." The Administration's policy allows breaches of the guidelines by settlements which normally follow established pacesetters. The union contends that there is a traditional link between contracts throughout the West Coast pulp and paper industry. If the Government had accepted this, the strikers could have hoped for first year increases of 10.75 per cent and 10.25 per cent in the second year.

Crown Zellerbach has told its

employees that it cannot settle outside the 7 per cent limit for fear of Government reprisals, but the strike shows no sign of crumbling after four months. The company has gone to extraordinary lengths to keep its mills working and has withdrawn all salesmen (and a good proportion of its management) from normal activities in order to put them into paper manufacturing.

The paperworkers' move has tarnished a little the impact of a carefully orchestrated series of announcements in support of the policy by large corporations. On Friday, two of America's largest companies, American Telephone and Telegraph and General Motors, sent letters to the White House pledging their compliance with the guidelines.

Large turnout in Venezuela election

By Joseph Mann

CARACAS, Dec. 3.

MILLIONS of voters in this oil-rich South American republic went to the polls today to choose a new president and members of national and state legislatures. Although Venezuela's post-revolutionary history was dominated by dictatorships, the country has freely elected presidents four times since its last military ruler was ousted in 1958. Venezuela stands out as one of a tiny number of true democracies in Latin America.

The winner in today's hotly-contested presidential contest will be one of two men: Luis Pineda Rúa, representing the Acción Democrática (Democratic Action) party now in power, or Senator Luis Herrera Campesino (53) standing for the Social Christian Copeland party.

Although the latest polls give Sr. Pineda a slight edge over his chief rival, the race will be extremely close and a large block of undecided and first-time voters will be an important factor in determining who becomes president. Voters will also pass judgement today on the government of incumbent president Carlos Andrés Pérez, who has spent the sum of \$83bn since the country's oil boom in 1974.

Neither Sr. Pineda nor Sr. Herrera has indicated that he would be signing any treaty with the United States or Venezuela's domestic or foreign policy in the presidency. The current chief executive, 56-year-old Sr. Pérez, completes his five-year term next March and is for office for ten years.

Polls opened this morning at 5.30 a.m. and long lines of voters had formed a few hours later. Voting sites all over the country of 13m were officially closed at 4 p.m. today, but voters already standing in queues will be allowed to cast their ballots. No definite returns are expected from the Supreme Electoral Council, an independent body running the elections and counting the votes, until Monday.

Troops with sub-machine guns have been visible all over the capital in recent days as they carried out 24-hour surveillance of all public schools, which now serve as voting centres. The capital of 8m people, normally noisy and active on weekend evenings, was quiet and virtually deserted last night due to the "dry law" which prohibits all sales of alcoholic beverages until noon on Monday. Eligible voters number 6.17m and the turnout is expected to be very high. Voting for those 18 years of age and over is obligatory.

Sr. Pineda has promised to Government "push ahead with President Pérez's major development projects and has said that he will solve nagging problems such as poor public services, housing shortages, the high cost of living, street crime and government corruption. Sr. Herrera, a veteran politician like his adversary, has fiercely attacked the official party for waste and mismanagement of the petroleum bonanza.

He and other opposition groups have asserted that the official candidate will only continue the inefficiency of the current Government.

S. Africa confiscates former information chiefs' passports

BY BERNARD SIMON

JOHANNESBURG, Dec. 3.

THE SOUTH African Government has confiscated the passports of Dr. Eschel Rhoodie, former Permanent Secretary of the Information and Publicity Department, and his brother, next May to enable it to investigate "new facts and areas" of the information scandal which it has uncovered.

The contents of the Rhoodie report are expected to widen further the rift in the ruling National Party between supporters of the former Minister of Information, Dr. C. G. Mulder, and his arch-conservative successor as leader of the Party, Dr. Andries Treurnicht, and the more moderate faction headed by the Minister of Foreign Affairs, Mr. P. W. Botha.

There are fears in the Party that the controversy surrounding the "overwhelming" in their Dr. Mulder, who resigned from the Cabinet as a result of his having been asked to help trace millions of rands of taxpayers' money reaching breaking point this week. The Government's spokesman said that "as a reporting newspaper, Rapport said judge I feel it is my duty to today that pro-Mulder calls in clean up corruption. I don't think the Transvaal are actively trying care who is ruling the country to drive some Nationalist MPs or which party is in power, my out of the Party."

Mr. Erasmus said that "as a reporting newspaper, Rapport said judge I feel it is my duty to today that pro-Mulder calls in clean up corruption. I don't think the Transvaal are actively trying care who is ruling the country to drive some Nationalist MPs or which party is in power, my out of the Party."

Smith tells whites to stay after black majority rule

BY TONY HAWKINS

SALISBURY, Dec. 3.

MR. IAN SMITH the Rhodesian Prime Minister tonight appealed to the country's 250,000 whites to stay in the country and make the internal agreement work.

In a nationwide radio and TV broadcast on the eve of the visit to Salisbury of Mr. Cledwyn Hughes, the British Prime Minister's personal envoy—the Rhodesian leader defended last week's decision to establish a "national government" for the first five years of majority rule after next April's elections.

Mr. Smith said that "quite obviously" the ceasefire had not worked as had been expected. He gave two reasons for this, saying the Patriotic Front "had stepped up its war effort in an attempt to frustrate the agreement and that Britain and the U.S. were continuing to support the terrorist cause."

It was for these reasons that it had been "unanimously" decided by the transitional government to establish a national government, Mr. Smith said. He claimed that many benefits would flow from this decision in addition to the major one of "getting on top of the security situation."

Mr. Smith said the proposal to give whites 28 per cent of Cabinet posts in the country's first majority rule government next year was the most momentous decision to have been made since the signing of the March agreement. He denied that it constituted a breach of the agreement which, he said, had precluded whites in parliament after the majority rule elections—from joining a coalition with a minority party. This was

not going to happen next year because the whites would be joining with all the other parties to form a national coalition.

Michael Holman adds from Lusaka: Efforts to convene an all-party conference on Rhodesia received the "official" seal from Patriotic Front co-leader Mr. Joshua Nkomo. After a 30-minute meeting on Saturday with British envoy Mr. Cledwyn Hughes and U.S. Ambassador to Zambia Mr. Stephen Low he declared the Anglo-American settlement plan "out of date" and the conference a "non-starter."

The Zambian Government has made no statement on the envoy's two-hour session with President Kaunda on Saturday night, but it is thought that Mr. Nkomo's blunt rejection carries the President's endorsement.

Renter adds from Pretoria: Mr. Hughes said he would press ahead with his attempt to seek an all-party conference on Rhodesia, even though Mr. Nkomo has written off the idea. Mr. Hughes arrived in Pretoria from Lusaka and was due to meet South African government leaders tomorrow before going on to Salisbury.

● In Maputo Reuters reports that U.S. Ambassador to the United Nations, Mr. Andrew Young, held separate talks today with President Samora Machel of Mozambique and Mr. Robert Mugabe, co-leader of the Patriotic Front. No details of the talks were released but it was thought that Mr. Young, who arrived in Maputo today from Tanzania, discussed the situation in Rhodesia with both leaders.

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Paris police puzzled by shop bomb

By David Curry

PARIS, Dec. 3.

FRENCH POLICE are uncertain how much credence to give to a telephone call claiming responsibility for Saturday's bomb blast in a Paris store by the separatist Breton Liberation Front. The call came after a bomb exploded in the Bazar de l'Hotel de Ville, critically injuring a 67-year-old shop assistant and badly wounding two other people.

Two days earlier two Bretons were jailed for 15 years for exploding a bomb in the Palace of Versailles causing very heavy damage but no injury to life. The store bomb was unusual in that the BLF normally attacks government offices and radio transmitters, seen as symbols of Paris "oppression," rather than seeking human targets.

There was also street violence over the weekend when left wing militants and neo-fascist groups took over a peaceful demonstration against the government's plan to extend the military camp on the Larzac plateau in central France. Peasants,

Swiss turn down state police plan

By John Wicks

ZURICH, Dec. 3.

IN A NATIONAL referendum in Switzerland this weekend, a majority of the electorate voted against a Government motion to set up a federal security police force. In co-operation with the cantons, this corps would have been used particularly to fight terrorism along with the protection of conferences, embassies, airports and foreign heads of state.

The motion had been opposed by a number of political parties and individual groups. The Social Democrats and other left-wing organisations were concerned at the possible use of the federal force in the case of demonstrations, strikes, occupations of nuclear power stations and similar civil actions.

Other bodies, including such right-wing and nationalist groups as Dr. James Schwarzenbach's Republican Movement, saw the motion reducing cantonal sovereignty and claimed it was unnecessary in that the central government already has the right to call on cantonal police for support. There was also opposition in rural areas where the use of troops can call on the police in neighbouring cantons—and thus need not contribute to a standing civil corps.

Israeli Cabinet meets on reply to Sadat

BY L. DANIEL

JERUSALEM, Dec. 3.

THE ISRAELI Cabinet at its weekly meeting today discussed the latest letter from President Anwar Sadat of Egypt to Premier Menachem Begin. Its contents were not revealed—in accordance with an agreement reached between Cairo and Jerusalem. Nor will Mr. Begin's reply be published, unless both sides agree to it.

The general lines of the Israeli Premier's reply were agreed at the Cabinet meeting, and Mr. Begin will consult his top Ministers on the final draft tomorrow. Mr. Begin described the exchange of letters as a very important contact between the two governments.

Several cabinet ministers said after today's session that in their view there is neither a deadlock nor a breakthrough in the negotiations so far. No decision appears to have been taken on whether to send the Israeli negotiating team back to Washington. Israel remains opposed to a revision of the draft treaty which it approved, but there may be room for an exchange of letters which would solve the thorny problem of a timetable for the holding of elections on the West Bank and in Gaza.

No solution is yet in sight to the Egyptian demand that the Israeli army be subordinate to

prior Egyptian commitments to other Arab countries.

Renter adds from Cairo: Egypt and Israel may agree to postpone their deadline for signing a peace treaty. Dr. Boutros Ghali, acting Egyptian foreign minister said in an interview published today in the semi-official newspaper Al-Ahram.

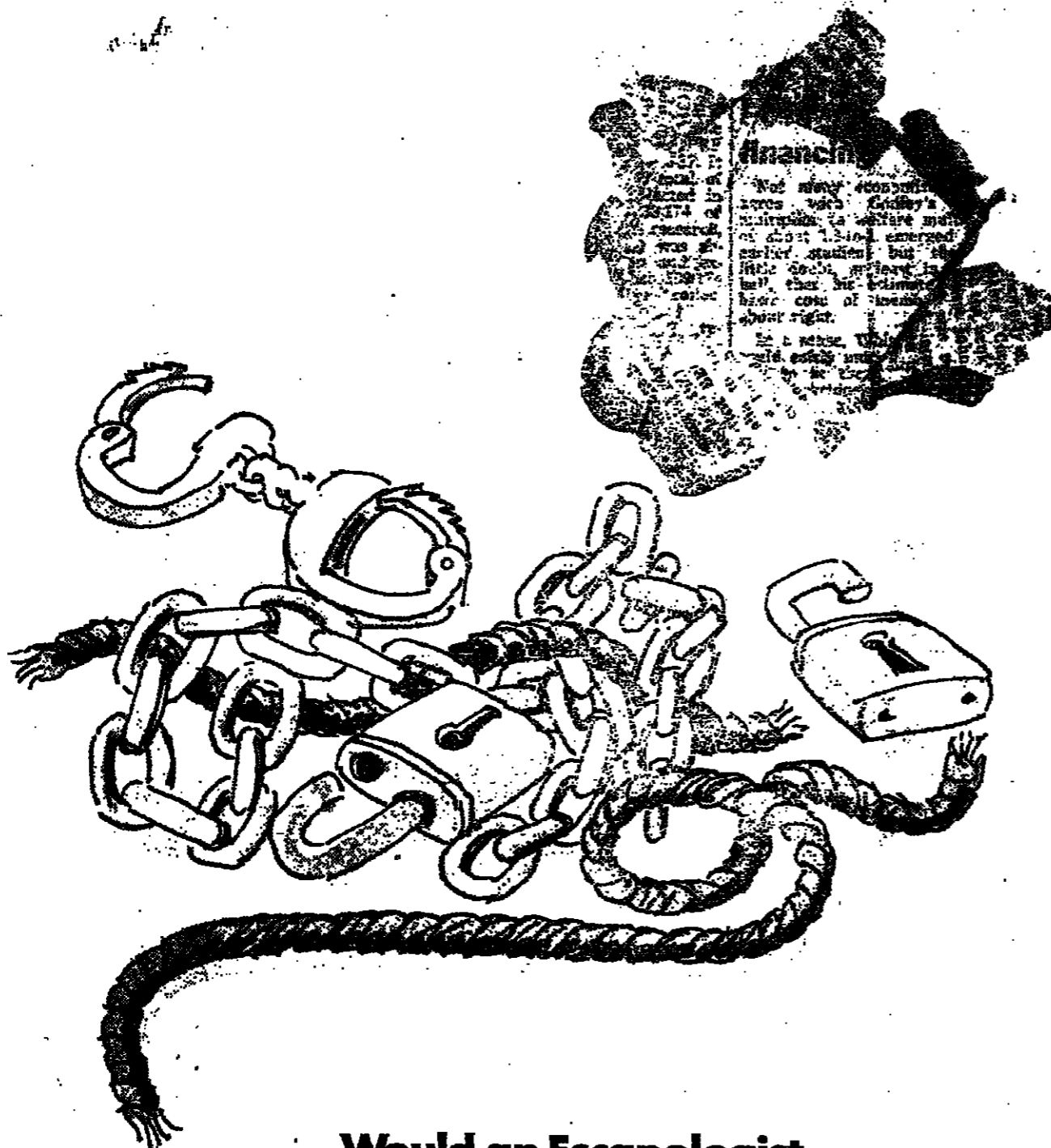
He said he could not answer a question on whether a treaty would be signed by December 17, the date set in the Camp David accords which laid down the basis for the current peace talks.

But Dr. Ghali said that "if the parties feel it is difficult (to meet the deadline) it is possible that they agree on another date."

Meanwhile in Washington Egyptian Prime Minister Mustafa Khalil has decided to extend his visit for another two days for further talks with Mr. Cyrus Vance, the U.S. Secretary of State.

Ihsan Hijiawi reports from Beirut: Concern is growing here over plans by the Israeli-backed Christian militias in Southern Lebanon to build a port and an airport in the region under their control.

The subject is expected to be raised at the Cabinet's weekly meeting on Wednesday.



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Secretary General of the Organisation of Arab Petroleum Exporting Countries (OAPEC)
Energy transportation in the Arab world
Dr. Abdulhadi M. Tahir
Governor, Petroleum and Chairman, Arab Maritime Petroleum Transport Company
The pipeline contribution to Middle East oil flows
Bakr A. Kijaja
Vice Chairman, SUMED
Kuwait as an exporter of oil and LPG
A senior representative from the Oil Ministry, Kuwait
The supply/demand equation for LPG carriers
David Boudet
President, Gasocem
Refining capacity and products tanker
Awaiting confirmation

Day Two: TRADE
Chairman of the day: His Excellency Abdul Aziz Al-Sagar
Chairman, Kuwait Chamber of Commerce and Industry and Chairman, Kuwait Oil Tanker Company
Changing patterns in the Middle East oil trade
A. Chazotte
Member of the Board, FOSS
Logistics and capacity in the Arab East oil trade
A senior representative from the United Arab Shipping Company
Utilisation of Gulf ports
Farid M. Khan
General Manager, Gulfstar Ltd
Import protection for the Arab world
Awaiting confirmation
Light oils and the shipper
Awaiting confirmation

Day Three: SHIPPING
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A. Chazotte
Member of the Board, FOSS
Abdulhadi M. Tahir
Governor, Petroleum and Chairman, Arab Maritime Petroleum Transport Company
Maritime insurance under present Kuwait law and under the new draft maritime law
An Al-Sagar
Lawyer, Al-Sagar, and Graham & James
The development of merchant shipping under Arab flags
Professor D. Gopal Nair, PhD, FCA
MBA, MBA, Head of Department, Maritime Studies, Indian Maritime University
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مكتبة النور

WORLD TRADE NEWS

Japanese companies may win right to base staff in China

BY CHARLES SMITH

TOKYO, Dec. 3.

JAPANESE TRADING companies may be allowed to station staff permanently in China, instead of on the one- or two-month visas that have been typical up to now, Japan was told in last week's bilateral trade talks in Peking.

The trading companies would apparently be the first group of foreign organisations granted this privilege. The concession may, however, not be as big as it appears since major trading companies already maintain a permanent presence in Peking through staffed with rotating personnel.

The people concerned are quartered in hotel rooms which are permanently reserved by their companies and equipped with telephones.

Trading company representatives in Peking have not so far been allowed to employ Chinese staff. If given the chance to do so, most companies would like to take on local drivers to free themselves from dependence on Peking taxis. They would also like to hire telegraph operators in order to relieve highly-paid and overworked Japanese executives. One major Japanese trading concern has four permanent representatives in Peking, but it keeps a total of about eight people in China at any one time, by sending "interpreters" to accompany business despatched by manufacturing clients and who may be allowed to remain in the country after their principal have returned.

The trading companies station additional staff in China at the time of the twice yearly Canton fair. Numbers in this case depend on the number of beds in local hotels to which each of the major traders is entitled. One major company which has long standing trading links with the People's Republic has 13 beds at Canton.

Lufthansa orders Boeing 737s

COLOGNE, Dec. 3.

THE WEST GERMAN airline Lufthansa has ordered 32 Boeing 737-200 passenger jets worth DM 840m (\$400m) from the American manufacturer.

A company spokesman said the short-haul twin-jets from Seattle seat 109 passengers and will be used mainly on European and domestic routes.

He said five of the aircraft will be delivered during the second half of 1980. The remainder will arrive at the rate of two a month from 1982 onward, he said.

Lufthansa was the first European airline to fly the regular, 90-seat version of the 737. One of them reached unwanted publicity when it was hijacked to Mogadishu, Somalia, in the wake of the kidnapping of industrialist Dr. Hannu-Martin Schleyer in October 1977.

Final details of the contract will be settled next spring. Lufthansa plans to use the aircraft to renew its existing short-haul fleet of 28 Boeing 737 aircraft and to strengthen its German and European route networks. The purchase will be financed partly by the sale of the 737s to Agencies.

Laid-up tonnage fall reflects improvement in shipping market

By Lynton McLean

THE TONNAGE of oil tankers and combination carriers laid-up last week fell to its lowest level in this year, at 25.5m deadweight tons.

Howard Houlder (Charterers) said the figure marked a fall from the November 1 total of 26.1m dwt and 26.3m dwt at January 1. It reflected the slow improvement in the oil tanker chartering market since the summer.

The peak of oil tanker and combination carrier tonnage laid-up this year was set in August when 55m dwt tons was idle or being repaired.

Demolition sales of tankers and combination ships in November totalled 613,508 dwt, comprising 17 vessels with an average age of over 18 years.

The total tonnage of oil tankers scrapped in the first 11 months of the year was almost 14m dwt. This comprised over 250 vessels with an average age of 16 years and marked a rise from the 1977 total of under 10m dwt.

On world tanker markets, activity was limited in the last 10 days. The U.S. Thanksgiving celebrations and some delays in the December allocations were the

LISNAVE SHIPREPAIRERS

Portugal's troubled giant

LOOKING FROM the vantage point of one of Lisbon's seven hills across the tramways, cobblestones, and endless tiny streets, one can catch a glimpse of something suggesting Lisnave's dimension altogether.

Portugal's huge shiprepairing plant, where giant tankers come and go, dwarfing the Tagus and the city.

Ever since the plant was built in the riverside suburb of Magueira just over ten years ago, management at Lisnave has tended to "think big," despite being part of a country that has the lowest industrial output in Europe.

Only recently, in the midst of Portugal's interminable Government crises, Lisnave announced that it had won an order from the Saudi Arabian Government worth over \$200m for the general design, planning, and management of a new ship-repairing plant to be built at Jeddah.

However, the optimism of the early days has been dampened in recent years. Lisnave was conceived at a time of oil boom and the rise in oil prices in 1973 and the drastic effects it had on ship building and shiprepairing had its repercussions in Portugal.

The country's particular political circumstances only added to Lisnave's difficulties. Following the "Leftist" military coup in April 1974, workers at the plant became "focus of radical will."

Today management at Lisnave has taken to reassessing the company's future, given the changing circumstances both at home and abroad. In a sense, the oil crisis and the consequent slump has forced a look away from traditional markets and towards the new ones in the early 1970s of Lisnave's managers said. Yet most of Lisnave's trade was despite the gloom there still.

centred on Scandinavia, and in particular Norway. Its market orientation is now shifting towards the Far and Middle East.

So far it has been fairly successful. The Jeddah contract is similar to that won by Lisnave four years ago from the Saudi Government, concerning the Arab shiprepairing and Repair Yard Company's docks in Bahrain.

Back in Magueira, one finds a hive of activity and docks filled to capacity. Orders last year increased by 30 per cent and management is predicting that the trend will continue. Yet the enthusiasm is slightly tempered. Lisnave's tragic irony is that despite being fully occupied, it is losing money, and at a considerable rate.

A senior manager at Lisnave recently predicted that the company be much deeper in the red by the end of this year than the deficit of 241m escudos (about £27m) it experienced in 1977.

Yet the company, like others in Portugal is hamstrung by present labour laws which make it almost impossible to dismiss anyone. It is also argued that the country's present unemployment rate of 15 per cent, in mass redundancies would be a two much of a social and political risk.

Lisnave is also facing difficulties in obtaining credit. At a time when the IMF has imposed an overall credit squeeze, Portuguese banks are showing themselves reluctant to come forward with the necessary cash.

The country's real survivors of the revolution, despite worker animosity against De Mello, he is chairman of the Board, and the company has survived the threat of nationalisation.

Today management at Lisnave has taken to reassessing the company's future, given the changing circumstances both at home and abroad. In a sense, the oil crisis and the consequent slump has forced a look away from traditional markets and towards the new ones in the early 1970s of Lisnave's managers said. Yet most of Lisnave's trade was despite the gloom there still.

remains an element of optimism. Lisnave presently contributes to some 5 per cent of the country's total export earnings and as such has a crucial role to play in righting the country's weak balance of payments position.

Perhaps the best measure of this is the company's recent \$5m investment in new dock equipment, including automatic blast doors, designed to make work at the yard more efficient.

There is planned investment of some \$15m and a new cleaning dock on the mainland which would take over from Lisnave's three floating docks. The new dock, when completed around 1981, will be able to handle vessels at a rate of 300 tons per hour compared to the current rate of 100 tons per hour.

Until now management at Lisnave has insisted that until the company is subsidised by the Government its financial future will continue to be restricted. The fact that one of Lisnave's leading managers has been appointed as the new Minister for Industry could point towards an imminent shot in the arm.

Heath urges Arabs to invest in Europe

MR. EDWARD HEATH called at the week-end for the oil-rich Middle East countries to invest some of their money in the Common Market.

The former Tory prime minister said that this would make economic sense for the OPEC countries and at the same time provide funds for EEC member countries to regenerate industry and change their agriculture policy to meet future needs.

Mr. Heath, speaking in Perth during a Scottish Conservative Party seminar on the European direct elections, said that much of the OPEC revenues were not being spent in Europe, but in the developing countries—and \$40bn a year was not being spent at all.

S. African cement exports soar

BY BERNARD SIMON

JOHANNESBURG, Dec. 3.

SOUTH AFRICA'S cement exports reached a record of 450,000 tons valued at R52m in the year to June 1978, compared to just over 340,000 tons the previous year, according to the South African Cement Producers Association's latest annual report.

The association says that foreign sales are likely to be maintained at about that level in the current year. Rail and harbour limitations make it difficult to increase export tonnage further.

The main markets for South African cement are Middle East countries (including some which claim to boycott South African products) and the Indian Ocean islands.

South Africa has established itself as a good supplier, and with a world shortage looming, we are now receiving a steady stream of inquiries for exports," the cement industry's export spokesman, Mr. Ken Wood, said recently.

The export drive has been helped by generous government rebates on rail traffic and the country's cement factories are far from the main ports. Producers say, however, that South African cement which is of high quality, commands a premium on foreign markets.

Thanks to exports, which currently account for about one-third of the industry's production, capacity, cement factories are on average operating at just over 70 per cent of capacity.

South Africa is to supply Belgian power stations with 2,000 tonnes of uranium under a \$160m contract over 11 years, a spokesman for the buyers said in Brussels, Reuter reports.

He said the deal, between South Africa's Harmony Gold Mining Company and Belgium's Synatom grouping of power companies, would start from 1980.

But the spokesman denied Belgian Press and radio reports that the deal was jeopardised because the Belgian state-sponsored export guarantee department had not yet guaranteed a loan to Harmony which forms part of the agreement.

He said that even if the loan was not guaranteed the purchase would go ahead.

New order for Denmark

BY HILARY BARNES

COPENHAGEN, Dec. 3.

THE A. P. MOELLER shipping group of Denmark is prepared to place an order for four specialised vessels with its subsidiary company, the Odense shipyard at Lindoe, if it can obtain favourable financing terms in negotiations with the Government.

Mr. Erik Quistgaard, Lindoe's managing director, said the management and ship stewards yesterday signed an agreement laying down the number of work hours per ship. The agreement was a pre-condition for obtaining the order.

He declined to say what type of vessels are involved, but they are understood to be 30,000 dwt container vessels of a new design. The Ship Credit Institute finances up to 30 per cent of vessels ordered at Danish yards over 10 years at 8 per cent.

It is expected that the Volkerkings committee will decide next whether to approve better terms for this order. So far the Danish Government has avoided giving subsidies to the shipyard outside the framework of OECD and EEC agreements.

Fluidrive in \$1.25m contract

FLUIDRIVE ENGINEERING, which recently joined the A.E. Group, has won a contract worth \$1.25m to supply over 100 fluid couplings for a major aluminium process plant in Venezuela, following an order earlier in the year from northern Australia for a similar plant.

The site at Ciudad Guayana (Puerto Ordaz) on the Orinoco River has a conservatively estimated deposit of 500m tonnes of 48.8 per cent aluminium. The construction and commissioning of the plant will be undertaken by Interamericana de Alumina, Ca (Interalumina).

"The award of this contract proves British companies can take on the best of international competition in world markets and win," said Mr. Richard Miles, managing director of Fluidrive.

Chrysler in Taiwan deal

TAIPEI, Dec. 3.

TAIWAN has selected the Chrysler Corporation as its partner for a \$70m joint venture to produce heavy-duty trucks, officials said.

They said Chrysler was chosen over Ford Motor and General Motors, which had also submitted joint production proposals. The terms offered by Chrysler are better suited to meeting Taiwan's goal of building up its own vehicle manufacturing industry, they said.

According to the current plan, Chrysler will hold 55 per cent of the shares of the new joint venture. The State-owned Taiwan Machinery Manufacturing will control 45 per cent of the shares while the remaining 20 per cent will be offered to the private sector.

A formal letter of intent has been sent to Chrysler, they said, and a contract is expected within the next few months. The officials also have notified Ford and GM that they have been listed as the second and third preferences, respectively, should Taiwan fail to complete the agreement with Chrysler.

The plan calls for an initial production of 10,000 trucks a year beginning in 1980. A \$130m second stage is expected to begin by 1991 to raise the local content to more than 60 per cent from the 30 per cent of the initial stages.

World Economic Indicators

TRADE STATISTICS		Oct. 78	Sept. 78	Aug. 78	Oct. 77
UK £bn	Exports	3,720	3,057	3,027	2,771
	Imports	3,001	3,272	2,959	2,725
	Balance	-0,279	-0,215	+0,068	+0,046
W. Germany DMbn	Exports	26,670	24,828	21,943	24,735
	Imports	21,858	20,098	18,823	19,927
	Balance	+4,812	+4,730	+3,120	+4,808
Japan \$bn	Exports	8,516	8,906	8,070	7,028
	Imports	6,981	6,813	6,820	5,813
	Balance	+1,535	+2,093	+1,250	+1,215
France Ffr bn	Exports	31,484	30,881	28,690	28,038
	Imports	30,763	29,578	29,751	27,911
	Balance	+721	+1,303	-1,061	+0,127
U.S. \$bn	Exports	12,010	13,400	12,470	9,190
	Imports	15,140	15,100	14,090	12,288
	Balance	-2,130	-1,700	-1,620	-3,098
Italy Lira bn	Exports	3,682	3,205	3,772	3,136
	Imports	3,753	2,862	4,149	3,348
	Balance	-0,071	+0,343	-0,377	-0,212
Holland Fls bn	Exports	9,407	8,226	7,906	8,976
	Imports	9,653	9,102	8,829	9,301
	Balance	-0,246	-0,876	-0,923	-0,325
Belgium Bfr bn	Exports	117,051	105,254	122,580	85,438
	Imports	134,828	106,610	131,040	113,060
	Balance	-16,777	-1,356	-8,460	-27,622

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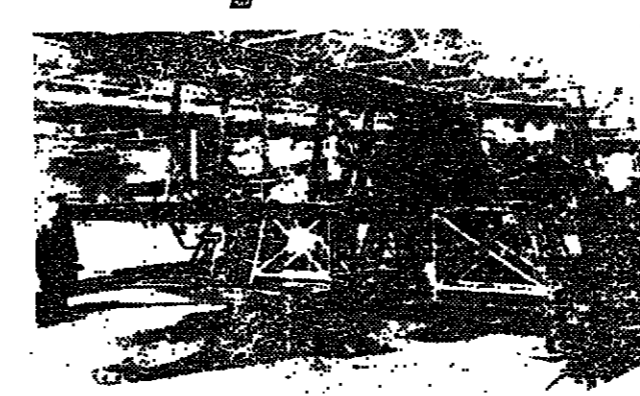
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Today's Company is more closely involved with industry than ever, building, for an increasing number of top British-based companies, such landmarks as the Ford Transmission Plant at Halewood, Pilkington's Industrial Development at St. Helen's and the Michelin Tyre factories at Burnley and Stoke.

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INDUSTRY

Businessman's Diary

UK TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Current	Royal Smithfield Show and Agricultural Machinery Exhibition (until Dec. 8) (01-235 7000)	Earls Court
Current	Design Engineering Conference and Exhibition (until Dec. 8) (01-993 4806)	National Exhibition Centre Birmingham
Current	Bristol Engineering and Industrial Equipment Exhibition (until Dec. 8) (01-431 4371)	Bristol Exhibition Centre
Dec. 5-7	UK Automatic Testing Exhibition (Buckingham 5236)	Royal Horticultural Halls Olympia
Dec. 5-7	COMPEC '78 (Computer Peripherals) (01-261 8000)	National Exbn Centre Birmingham
Dec. 5-8	Export Services Exhibition (021-6431914)	Birmingham
Dec. 5-8	Container Technology Conference and Cargo Systems Exhibition (01-949 3391)	Metropole Centre, Brighton
Dec. 9-17	Performance Car Show (01-686 7181)	Alexandra Palace, N22
Dec. 12-14	Exhibition and Display System Fair—MODULEX (Egham 6255)	West Centre Hotel, SW6
Dec. 27-Jan. 7 1979	Boys and Girls Exbn. (021-643 9281)	Bingley Hall, Birmingham
Jan. 3-14	London International Boat Show (Weybridge 54511)	Earls Court
Jan. 4-13	Model Engineer Exbn. (Hemel Hempstead 63841)	Wembley Conf Centre

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Current	International Woodworking Exhibition (until Dec. 10)	Brussels
Dec. 5-9	Combustion and Heat Treatment Equipment Exhibition (01-734 2851)	Tokyo
Dec. 5-9	International Environment Exhibition—POLLUTEC (01-436 1851)	Paris
Dec. 12-15	Amusement Leisure and Fairground Equip. Exbn. FORAINEXPO/AMUSEXPO (01-486 1851)	Paris
Jan. 8-11, 1979	Hotel and Restaurant Industry Fair—HORECAVA (01-228 2880)	Amsterdam
Jan. 10-14	Home Furnishing Textile Fair (01-734 0543)	Frankfurt
Jan. 18-21	Int. Trade Fair, Motor Workshop and Gasoline Station Equipment—AUTO-ZUM	Salsburg

BUSINESS AND MANAGEMENT CONFERENCES

Dec. 5	BTA/ETB: Tourism Growth and London Accommodation (01-629 9191)	Cavendish Conference Centre, W1
Dec. 5	IPS: Counter Purchase—Why? (Ascot 23711)	Grosvenor House Hotel, W1
Dec. 5	CMTIC: Safety Representatives and Safety Committee Regulations (Leamington Spa 35621)	Avonside Hotel, Keelworth
Dec. 5	RSI: Electrical Equipment Conference (01-629 9001)	Wembley Conference Centre
Dec. 5-6	ASAI: Improving Stock Control (01-385 1892)	Cafe Royal, W1
Dec. 5-7	IPM: Job Evaluation (01-387 2844)	Whites Hotel, W2
Dec. 6-8	Frank Jenkins: PR for Marketing Management (01-687 2811)	Connaught Rooms, WC2
Dec. 7-8	FT Conference: Nordic Banking and Finance (01-226 4383)	Oslo
Dec. 8	CFC: Financial Incentives for Business (01-222 6362)	Royal Lancaster Hotel, W2
Dec. 10-12	IMRA: Conducting Cost-Effective Research in Europe and Developing Countries (Lichfield 33448)	Whately Hall Hotel, Banbury
Dec. 10-15	Bradford University: Forecasting for Technological Planning (Bradford 22398)	Management Ctr. Bradford
Dec. 11-12	School of Business and Admin: International Tendering (Ashford 22101)	London Penta Hotel, SW7
Dec. 11-15	Cambridge University/Cargill: Atwood: Manager Development Seminar (01-567 4745)	Maddingly Hall, Cambridge
Dec. 12	AGB: Graduate Selection Techniques (01-353 3951)	Education Institute
Dec. 12	Abacus: Risk Reduction—Understanding Business Contracts (Bournemouth 4471)	Edford Way, W1
Dec. 12-14	IPM: Employment—Law—for management advisers (01-387 2844)	Kensington Palace Hotel, W8
Dec. 13	ESC: Company Law and the City (Uppingham 2711)	Clive Hotel, NW3
Dec. 13-14	Institute of Marine Engineers: Safety at Sea—Internat. symposium (Redhill 63811)	Kensington Palace Hotel, W8
Dec. 14	CALIS: A Current Review of the Taxation of Property (Reading 861101)	Mark Lane, EC3
Dec. 14-15	FT Conference: Inflation Accounting—the Planned Standard (01-236 4382)	Mount Royal Hotel, W1
Dec. 15	Economic Model: Medium-term International Forecasts (01-339 2851)	London Hilton, W1
Dec. 15	Legal Studies and Services/Overseas: Medicine and the Law (01-242 2481)	36, Old Queen St, SW1
Dec. 18-19	BIOSIS: What is 'Organisation Development' (Exbury 56461)	Carlton Tower Hotel, SW1
Dec. 19-20	LAMISAC: Project Coordination (Basic) Seminar (01-825 2332)	Brunei University, Uxbridge
Dec. 19-20	LAMISAC: Project Coordination (Basic) Seminar (01-825 2332)	London Graduate School of Business Studies, NW1

HOME NEWS

Makers attack French fork lift truck rules

BY HAZEL DUFFY, INDUSTRIAL CORRESPONDENT

THE MATERIALS handling exhibition, which opens in Paris today, will attract particular attention after the coming into force on Saturday of new safety standards on fork lift trucks expected to be implemented within the next two to three years.

The standards are widely regarded in the industry as having been introduced more for commercial than safety reasons, and have been opposed by European manufacturers generally.

The French market is of considerable importance for British industrial truck manufacturers. It takes about 10 per cent of the industry's £200m export total at a time when exports are a vital means to keeping up levels of activity in the industry.

The concern with which the industry received news of the standards was conveyed to the French Government and the European Commission by British change, and the requirement that the fuel tank must be removable.

Mr. Trevor Brown, Shaw, vice-chairman of Lancer Boss, said: "It makes no sense that any country which participated in this directive, as the French did, should introduce emergency regulations which have no sound basis in safety terms."

The two most important changes which the French have introduced concern the need to have a hand lever as well as a foot pedal for directing the truck, which for some designs represents a costly and complex change, and the requirement that the fuel tank must be removable.

Some British manufacturers are puzzled by the French Government's move, as they do not believe the French industry has the manufacturing capability to replace the imported trucks. Exports of French trucks to Britain are roughly equal to the value of those imported from Britain.

But the French have stuck to their decision in spite of the fact that an EEC directive on fork lift truck regulations has been drawn up and is expected to be implemented within the next two to three years.

Mr. John Mallarkey, engineering director at Hyter Equipment, who has taken part in the preparation of the directive, said: "It makes no sense that any country which participated in this directive, as the French did, should introduce emergency regulations which have no sound basis in safety terms."

The French fork lift truck industry is more specialised than either the German or British, being particularly strong in rough terrain trucks.

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Inflation rate 'may stay under 8% despite wage rises'

BY MICHAEL BLANDEN

THE RATE of inflation in the UK could be held at about its present level of 7 to 8 per cent for a year, in spite of the upward pressures of wage demands, says Mr. Tim Congdon, chairman of the latest review for stockbrokers L. Messel.

He says that the pessimism about prices expressed by most economists, who expect the 15 per cent growth in pay over the past year to work through to prices next year, is not justified.

The basic reason for the better outlook was the high level of interest rates after the increase in the minimum lending rate to 12 per cent on November 9. This should dampen down domestic credit expansion and the growth of the money supply, with two results: a renewed tightening of the liquidity constraints throughout the economy and a firm pound on the foreign exchange markets.

As a result, inflationary pressures should weaken.

Money supply
The National Westminster Bank's economic adviser, Dr. David Lomax, says today that the monetary target of 8.12 per cent growth in the wider definition of the money stock during the coming year is broadly consistent with the containment of inflation.

However, the authorities had to contend with the bulge in the growth of the money supply which took place before the re-

to prolong the incomes policy.

Fishermen demand exclusive areas

SMACKSMEN from all over Britain yesterday thrashed out a two-point charter they say would save our fish supplies.

The men, who met at Grimsby this weekend, want an immediate exclusive 12-mile zone for themselves round Britain's coastline. They are also demanding exclusive areas within 50 miles, where smacks could take as much as they want, but foreign trawlers were limited.

And today, Mr. James Callaghan, the Prime Minister, is to receive a telegram telling the Government to stand firm in EEC negotiations in Brussels.

The fishermen's union, the newly-formed National Federation of Fishermen's Organisations, which opens tomorrow morning,

TRAVELLERS passing through Gatwick Airport will be able to obtain information and advice from the airport's first Tourist Information Centre,

which opens tomorrow morning.

Government is talking about a 12-mile limit to four years. We think irreparable damage would be done to our industry by waiting."

The future of Britain's cod and haddock supplies lies in the hands of the tiny smacks, which sail with only 3 or 4 fishermen now that trawlers have been barred from Iceland and other deep-water grounds.

Open for queries

TRAVELLERS passing through Gatwick Airport will be able to obtain information and advice from the airport's first Tourist Information Centre,

which opens tomorrow morning.

State schools 'must be more varied'

THE Government will be warned this week that private schools will become more popular unless it introduces more variety into comprehensive schools.

Lord Young of Darlington, chairman of the Mutual Aid Centre, is to suggest at an education conference in London on Saturday that schools concentrating on religion or basic skills would bring more variety to State schools.

Other alternatives could include language and arts schools, and schools to prepare children for jobs.

There could also be free schools with no more than 300 pupils, who would be encouraged to make their own decisions, set their own costs,

and express themselves. The new schools could be run by co-operatives of parents and teachers.

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Christmas costs up, Tory says

By Our Lobby Staff

MRS. SALLY OPPENHEIM, Shadow Prices Secretary, yesterday launched what has become her regular seasonal attack on the rising cost of Christmas.

Linking her criticism to the falling value of the pensioners' £10 Christmas bonus.

She said it was worth half its value when the Conservatives paid it out in 1973. To maintain its purchasing power, it would now have to be more than £20.

Mrs. Oppenheim produced a list showing that pensioners would have to forgo buying many items that they could have afforded at Christmas, 1973.

Civil liberties council wants race safeguard

THE National Council for Civil Liberties is to oppose a question on racial origin in the 1981 Census unless satisfactory safeguards are forthcoming.

It says there must be no criminal sanctions for failure to identify one's ethnic origin, and stringent safeguards must be followed to ensure confidentiality.

In common with other recent reports on the mounting need for action on rural deprivation, the 118-page report, Rural Poverty, says that in recent years too much emphasis has been placed on inner-city needs at the expense of rural areas.

However, unlike other reports, in particular that by the Association of District Councils, the group urges that resources should be diverted from the inner cities to the rural areas.

Rural areas, the group says, must meet special expenses, particularly for transport, which when coupled to inadequate health services often tip the balance and consign a family to poverty.

In many rural areas, unemployment is half the national average again, and the report says, will increase unless policy is changed in the next five years.

The group rejects "the myth of self-supporting rural communities" in that the rural poor are geographically and socially isolated.

Mr. Alan Walker, a Sheffield University lecturer and editor of the report, said that since the war we have been concerned too much with the problems of inner-city areas to the detriment of rural areas.

Rural poverty could not be separated from urban poverty, but a new approach was required to ensure equal access to social activities and public services.

Consumers seek EEC support

By David Churchill, Consumer Affairs Correspondent

EUROPEAN consumer groups are making a bid for their interests to be given greater priority in EEC affairs.

A letter sent today to Herr Helmut Schmidt, the West German Chancellor, by the European Bureau of Consumer Unions, calls on the European heads of government to hold top-level talks on seeking European-wide policies of real benefit to consumers.

The consumer groups' plea comes only four months before the end of the EEC's four-year preliminary policy programme for consumer protection. The bureau says that only a few directives of any significance have come out of the programme and many "are still in the promises that the consumer interest is far from being met."

It also urges the Heads of Government, who are meeting in Brussels today, to consider the consumer view during talks on agriculture and trade. Specifically, it wants the EEC to encourage free trade and not deny consumers the right to buy cheaper products such as Japanese cars and clothes and footwear from countries outside the EEC.

It also believes that artificial protection should not be given to uncompetitive producers within the EEC.

On the agricultural front, the bureau calls for a freeze on the prices farmers get for products such as butter, sugar and cereals, which are already in surplus.

For further information on Drink Industry Surveys or Run-of paper advertising, please contact, Derek Rome, Financial Times, Bracken House, 10 Cannon Street, London EC4A 3BY Tel: 248 8000 Ext. 7181.

FINANCIAL TIMES EUROPE'S BUSINESS NEWSPAPER

The content, size and publication dates of Surveys in the Financial Times are subject to change at the discretion of the Editor.



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HOME NEWS

Cutlery advertising brings protest by British makers

By Our Consumer Affairs Correspondent

THE FEDERATION of British Cutlery Manufacturers has protested to Mr. Roy Hattersley, Secretary for Prices and Consumer Protection, about heavy advertising of foreign cutlery described as having been made in the British trade and consumer press.

It has written asking for a meeting to point out examples of "freely advertising table cutlery" or similar products as "British".

By using typically English names and talking about being a manufacturer, guarantee, etcetera, they play a strong role in the consumer mind as promoting British-made products.

Scottish companies head UK exports

SCOTLAND'S top 20 companies on tangible capital with 1,368 per cent.

The survey, which a variety of information on all types of industrial companies registered in Edinburgh, shows that the top 20 companies accounted for 12.5 per cent of turnover in the past two years, compared with 9 per cent for quoted companies in Britain overall.

The 94-page survey finds the pattern repeated among Scotland's top 20 private companies, which exported 10.4 per cent of turnover, against 9 per cent for Britain's 20 private companies overall.

But the biggest divergence is between foreign-owned companies in Scotland and those with foreign ownership in Britain as a whole. Scotland's top 10 foreign-owned firms made nearly half their sales abroad, compared with a relatively modest 19 per cent for a sample of the top foreign-owned companies in Britain listed in the Jordan's sister survey Britain's Top Foreign-Owned Firms.

The survey ranks Scotland's top companies in descending order of turnover: the largest public company remains Distillers Company, with turnover of £378m last year. Distillers also ranked top in terms of pre-tax profit, recording some £15m.

The largest private company was Christian Salvesen, with turnover of £102m.

A Distillers subsidiary, the whisky exporters Macdonald Greenless, had the best return

Oxygen breakthrough may aid hospitals

By Sue Cameron, Chemicals Correspondent

BRITISH RESEARCH chemists have discovered a new method of separating oxygen from air. It might eventually enable hospitals and small engineering concerns to produce their own oxygen on tap.

The discovery, based on compounds produced from reacting manganese salts with phosphorus, has been made by a team of chemists at the University of Manchester Institute of Science and Technology.

The team has been given financial support from the National Research Development Corporation, which is negotiating a licensing agreement with British Oxygen for the discovery.

The new technique saves energy and does not require a large plant. It is therefore likely to be particularly useful in more remote areas, where the transport of oxygen from a large, commercial scale is difficult, and in concerns, such as hospitals or engineering companies, which require their own assured supply of oxygen.

Councils spread borrowing

By Paul Taylor

LOCAL AUTHORITIES appear to be succeeding in attempts to spread the effects of their borrowing requirements over longer periods.

Confirmation of the success of councils in lengthening the maturity structure of their debts comes in figures published by the Chartered Institute of Public Finance and Accountancy.

The Institute's Return of Outstanding Debt on March 31, 1978, is the first published since the introduction of the voluntary code of practice for the regulation of local authority borrowing. This was approved and recommended by local authority associations.

Most noticeable is the reduction, from 23.2 per cent last year, to 21.4 per cent in the proportion of the total long term debt maturing within one year, and the increase in the proportion falling due in the fourth and fifth years.

The Institute said that this represented "a creditable achievement" by the local authorities, bearing in mind that the code was published only nine months before the collection date for the statistics. It "clearly demonstrates the local authorities' support for its aims."

Sanctions vote rebels under pressure

By Elinor Goodman, Lobby Staff

LABOUR backbenchers will come under intense pressure this week to support the Government in Thursday's vote on pay sanctions.

Both the Liberals and the Scottish Nationalists are threatening to vote with the Tories, so to have a reasonable chance of winning, the Government must command the almost total support of its own backbenchers.

Although the vote will not be regarded as one of confidence, the Government would be severely embarrassed by a defeat, which would pose an even larger moral question mark over the continued use of sanctions.

As yet, Ministers are not prepared to countenance a defeat and for this reason have not discussed whether they would continue using sanctions if they were rejected by the Commons.

For the moment, the emphasis is on twisting the arm of Labour backbenchers in an attempt to persuade them to fall in line. Last week the signs were that perhaps half a dozen Labour MPs were considering abstaining.

All the signs are that the vote will be a cliffhanger, with both the potential Labour rebels and the minority parties playing their cards close to their chests as a means of maximising the Government's discomfiture over sanctions.

Tories approach minority parties before election

By Our Lobby Staff

SENIOR TORIES are putting out feelers to see if they can improve the party's relations with the minority parties. This reflects a growing belief that there may well be another hung Parliament after the General Election and that it is better to develop informal contacts with the other parties now than wait until after the result is declared.

Among those taking the initiative is Mr. Norman St. John-Stevas, the new Shadow Leader of the House, who is believed to feel it essential that the rift between Mrs. Thatcher and Mr. David Steel, the Liberal Leader, be healed.

In the past she has made it only too clear that she does not take Mr. Steel very seriously as a politician. Mr. Steel, for his part, has hidden his lack of sympathy for Mrs. Thatcher's brand of Conservatism.

Last week, however, the Liberals indicated that they would be prepared to support the Conservatives in this week's vote on pay sanctions.

This was interpreted by some Tories as a sign that the Liberals are less hostile to them than before, though not to the extent that they would precipitate an early election.

Mr. St. John-Stevas apparently regards improving the party's relations with the minority parties as one of his responsibilities in his role as Shadow Leader.

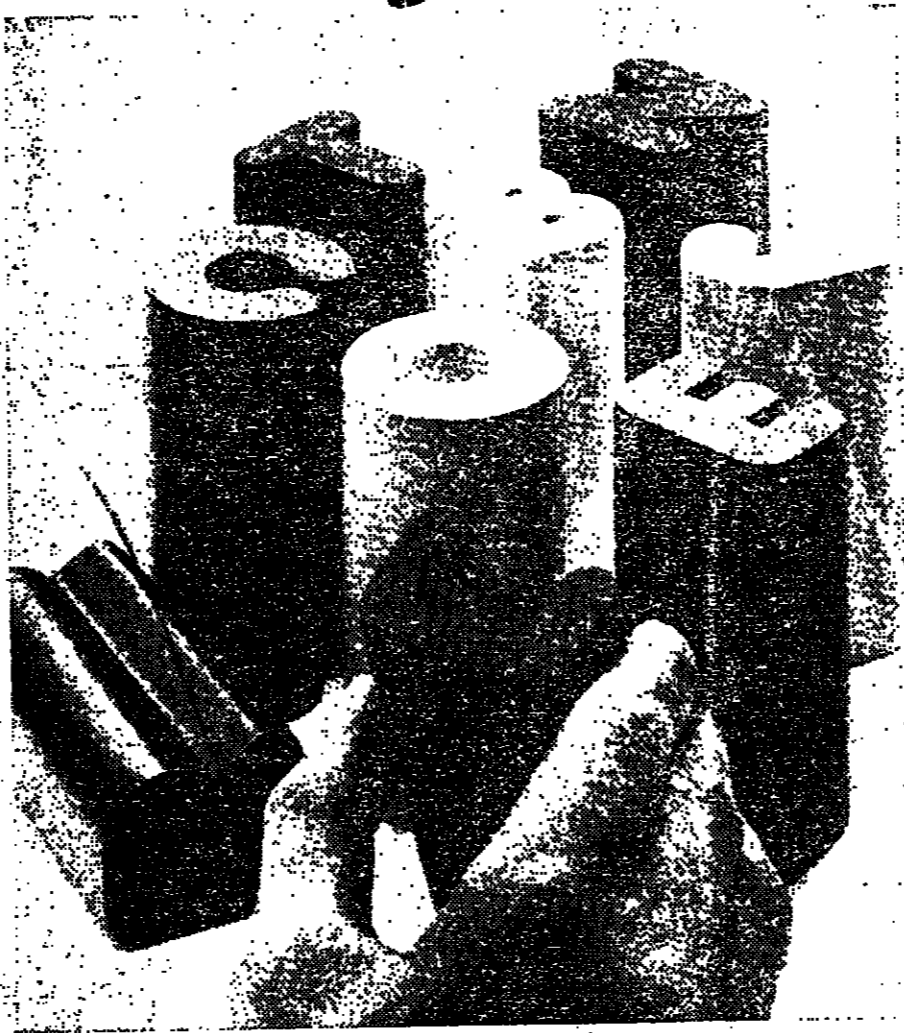
The idea is not to explore the ground for a formal pact, but to establish some personal contact with the more influential MPs in minority parties. It is felt far better to get this kind of groundwork done now, rather than leave it until after an election, when the Tories might find themselves needing support of another party to get a majority in the Commons.

In the same way informal contacts are likely to be made with the Ulster Unionists. Though there is no question that the Tories would meet the Unionists' demand for a return of Stormont, some Tories believe that, leaving aside Mr. Enoch Powell, there is common ground between the two parties.

It is increasingly believed by the Tories that it is highly unlikely that there will be a General Election until well into the New Year.

Through most of last year the Tories tended to live on a hand-to-mouth basis on the assumption that an election was imminent. For this reason some senior Tories think the party has concentrated on short-term strategy at the expense of long-term policies.

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JOB CENTRE

Employment Service Manpower Services Commission MSC

November profits down 5.7%

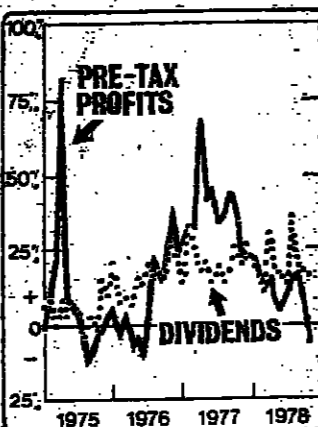
Financial Times Reporter

INCOMING REPORTS and accounts from industrial companies in November showed a fall on the comparable figures a year ago for the first time for nearly two and a half years.

Having shown average monthly gains of nearly 14 per cent in the third quarter of the year and a near 6 per cent increase in October, the reports from 73 companies showed a decrease of 5.7 per cent in taxable profits. This is the first profits setback in a full month's report since June 1976.

This marked reversal in the profits pattern was clearly attributable to the near 60 per cent drop in BHP's pre-tax earnings. Other big companies reporting profit falls were Brooke Bond, down 16.4 per cent, and Lucas, down 7.3 per cent.

Great Universal Stores stood out among the large groups with a profit rise of 14.1 per cent.



Overall dividend costs continued to rise, though the increase on the previous year was the smallest so far this year, with the exception of the 11 per cent rise in March.

At 15.1 per cent the increased dividend payments in last month's reports compared with the third-quarter monthly average rise of nearly 24 per cent.

Great Universal Stores raised the dividend by 12.3 per cent, and despite the downturn in profits Brooke Bond's dividend per share showed a similar increase.

Low Pay Unit repeats special price index call

By Our Industrial Staff

A RENEWED call for publication of a separate retail price index to reflect the impact of inflation on low-paid workers comes today from the Low Pay Unit.

The unit says in a letter to Mr. Harold Walker, Employment Minister, that the existing index "might be viewed by the public as a deliberate attempt to mislead them over the true rate of price increases."

A report by the organisation says that the official rate of price increases in recent years has been "moderated by slower inflation in such non-essential items as motorcars, alcohol and eating out."

Since January 1974, inflation

affecting low paid families spending most of their money on the essentials of food, heating and rent had been 9.8 per cent, more than the Government's figure.

Prices since then had generally doubled, but food prices had risen by 107 per cent, fuel by 129 per cent, and electricity by 165 per cent.

The "typical family" used in calculating the Government's index was assumed to spend more on motorcars than on housing and more on drink than on fuel and light.

The unit calls on the Minister to review the price index system, in accordance with a recommendation for periodic reviews made 10 years ago by the Cost of Living Advisory Committee.

Coco Chanel belongings sold for £68,655

THE PERSONAL wardrobe and jewellery of Coco Chanel, the famous couturier, was sold at Christie's at the weekend for £68,655. The sale consisted of 42 items of her famous costume jewellery and 75 suits, dresses and accessories.

The jewellery fetched a total of £21,430, many being bought by the London dealer Robin Symes on behalf of a Geneva jeweller,

Xolian SA. He paid £1,000 for Mme. Chanel's favourite brooch of simulated emeralds. A similar brooch fetched £1,800.

The Oslo Museum paid the top sale price of £2,400 for a beige tweed suit. A suit of brown velvet was bought by the Jupiter Corporation of San Francisco for £1,800, while the "little black dress" was bought by the Baroness David Rothschild for £1,500.

FT Monthly Survey of Business Opinion

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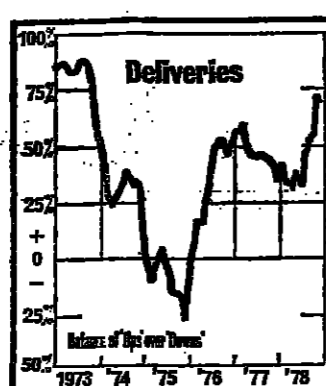
GENERAL OUTLOOK

Confidence on wane

THE OCTOBER increase in optimism over prospects for the UK economy went into reverse last month. The major reason seems to be fears of industrial unrest over the winter as employers try to remain within the Phase Four 5 per cent pay increase ceiling in the face of Government sanctions.

The outlook on the UK economy was carried through into the area of business prospects in two of the three industrial sectors surveyed in November.

The food and tobacco sector was much less optimistic than it was when last surveyed in July, with the main worries uncertainty over price competition, industrial relations in the bread industry coupled with the dis-



The second sector in which there was an increase in pessimism was building and construction, where there was disappointment over the extent of the economic upturn.

However, improved demand for textile and clothing meant some increase in confidence in this sector, although the lower market capitalisation of the group gives it a relatively small weight in the overall index.

Both the food and tobacco and textile and clothing groups were more optimistic about increasing their exports over the next year, but the building and construction group was less optimistic, with difficulties in the Middle East and Nigeria most commonly cited.

GENERAL BUSINESS SITUATION

4 monthly moving total				November 1978			
Are you more or less optimistic about your company's prospects than you were four months ago?	Aug-Nov.	July-Oct.	June-Sept.	May-Aug.	Construct. & Bldg.	Food & Tobacco	Textiles & Clothing
	%	%	%	%	%	%	%
More optimistic	36	42	47	45	27	19	71
Neutral	51	46	39	44	58	49	17
Less optimistic	13	9	11	6	15	12	12
No answer	—	3	3	3	—	—	—

EXPORT PROSPECTS (Weighted by exports)

	4 monthly moving total				November 1978			
	Aug-Nov.	July-Oct.	June-Sept.	May-Aug.	Constn.	Food & Textiles & Sdg.	Tobacco	Clothing
	%	%	%	%	%	%	%	%
Over the next 12 months exports will be:								
Higher	77	72	79	73	50	69	74	
Same	18	20	15	14	32	8	2	
Lower	3	6	6	13	9	13	24	
Don't know	2	2	—	—	9	10	—	

NEW ORDERS

4 monthly moving total				November 1978			
The trend of new orders in the last 4 months was :	Aug-Nov.	July-Oct.	June-Sept.	May-Aug.	Construct. & Bldg.	Food & Tobacco	Textiles & Clothing
	%	%	%	%	%	%	%
Up	68	65	52	49	27	53	61
Same	16	21	27	30	31	13	27
Down	7	4	8	9	27	15	12
No answer	9	10	13	12	15	19	—

PRODUCTION/SALES TURNOVER

4 monthly moving total				November 1978			
Those expecting production/sales turn-over in the next 12 months to:	Aug.-Nov.	July-Oct.	June-Sept.	May-Aug.	Cnstrcn. & Bldg.	Food & Textiles & Clothing	Tobacco
	%	%	%	%	%	%	%
Rise over 20%	7	7	5	2	—	—	—
Rise 15-19%	4	5	5	5	10	13	—
Rise 10-14%	13	15	17	13	3	5	8
Rise 5-9%	24	25	24	32	14	13	39
About the same	32	35	40	39	35	31	53
No comment	20	13	9	9	38	38	—

STOCKS

4 monthly moving total				November 1978			
		Aug.- Nov.	July- Oct.	June- Sept.	May- Aug.	Constn. & Bldg.	Food & Textiles & Tobacco & Clothing
		%	%	%	%	%	%
Raw materials and components over the next 12 months will:							
Increase		37	45	46	40	49	25
Stay about the same		49	38	37	40	37	62
Decrease		4	7	9	10	14	—
No comments		10	10	8	10	—	13
Manufactured goods over the next 12 months will:							
Increase		34	37	42	40	46	13
Stay about the same		41	37	39	38	31	75
Decrease		5	4	3	4	—	—
No comments		20	22	16	18	23	12

FACTORS CURRENTLY AFFECTING PRODUCTION

	4 monthly moving total				November 1978		
	Aug- Nov. %	July- Oct. %	June- Sept. %	May- Aug. %	Construct. & Bldg. %	Food & Tobacco %	Textiles & Clothing %
Home orders	82	81	82	82	92	87	73
Export orders	63	60	61	59	80	53	65
Executive staff	14	18	16	20	11	13	—
Skilled factory staff	46	49	43	40	24	13	61
Manual Labour	11	8	6	10	9	13	8
Components	4	7	6	5	7	—	8
Raw materials	9	8	8	7	7	15	—
Production capacity (plant)	5	10	10	10	—	—	35
Finance	1	—	—	—	7	—	—
Others	7	14	12	12	22	—	—
Labour disputes	32	27	24	26	14	41	36
No answer/no factor	3	1	1	1	1	13	—

LABOUR REQUIREMENTS (Weighted by employment)

4 monthly moving total				November 1978				
Those expecting their labour force over the next 12 months to :	Aug.- Nov.	July- Oct.	June- Sept.	May- Aug.	Constrcn. & Bldg.	Food & Tobacco	Textiles & Clothing	
	%	%	%	%	%	%	%	
	Increase	30	27	21	19	16	6	32
	Stay about the same	43	55	59	63	34	62	42
	Decrease	27	18	20	18	50	32	26

CAPITAL INVESTMENT (Weighted by capital expenditure)

	4 monthly moving total				November 1978			
	Aug- Oct.	July- Sept.	June- Sept.	May- Aug.	Consumer	Food & Textiles & Bldg.	Tobacco	Clothing
Those expecting capital expenditure over the next 12 months to:	50 48	46 56	46 60	46 63	19 29	24 37	— 37	— 39
Increase in volume	48	56	60	63	19	29	—	37
Increase in value but not in volume	10	8	11	9	24	—	—	37
Stay about the same	18	15	14	12	28	36	—	—
Decrease	16	18	12	13	29	2	—	—
No comment	8	3	3	3	—	23	39	—

COSTS

4 monthly moving total				November 1978			
	Aug-Nov.	July-Oct.	June-Sept.	May-Aug.	Constn. & Bldg.	Food & Textiles & Tobacco	Clothing
Wages rise by :	%	%	%	%	%	%	%
5-9%	25	21	21	20	27	25	39
10-14%	56	64	66	69	44	47	53
15-19%	6	3	3	2	—	15	—
No answer	13	12	10	9	29	13	8
Unit cost rise by :							
0-4%	1	4	8	8	—	—	—
5-9%	31	34	38	40	34	25	57
10-14%	43	34	31	33	30	62	43
15-19%	7	1	1	1	8	—	—
20-24%	—	—	—	1	—	—	—
Decrease	2	2	2	—	—	—	—
No answer	22	25	20	17	28	13	—

PROFIT MARGINS

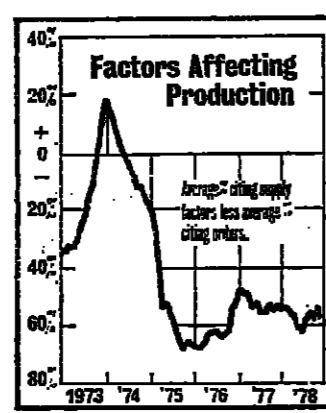
4 monthly moving total				November 1978			
those expecting profit margins over the ext. 12 months to:	Aug- Nov.	July- Oct.	June- Sept.	May- Aug.	Constructn. & Bldg.	Food & Textiles & Clothing	
	%	%	%	%	%	%	
Improve	32	32	37	45	40	22	63
Remain the same	42	35	31	27	52	63	17
Contract	21	26	26	21	8	15	20
No comment	5	7	6	7	—	—	—

CAPACITY AND STOCKS

More labour disputes

THERE WAS a significant drop in the number of companies who said they were working below planned output levels last month. At the same time there was a greater tendency for companies to say their level of stocks was too high rather than about right in relation to current sales trends.

Demand remained the main constraint on output rather than supply factors, so the index covering this shows little movement. However, there are signs that labour disputes are becoming



were all mentioned as factors affecting deliveries. Orders over the last four months were steady, with an improvement in the textile and clothing sector being offset by a deterioration in building and construction. In this sector mortgage difficulties and interest rates were said to be having a depressing effect on orders for houses, although demand for home improvements and Do-It-Yourself remained strong.

The fall in the index for order books was caused by the more pessimistic view of future orders taken by the building and construction group and the food and tobacco companies.

CAPACITY WORKING

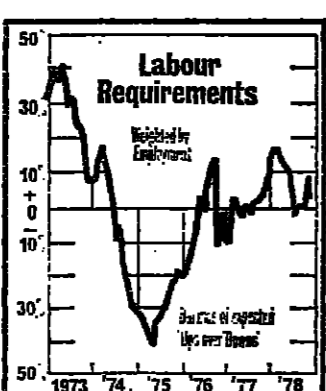
	4 monthly moving total				November 1978			
	Aug.- Nov.	July- Oct.	June- Sept.	May- Aug.	Cnstrcn.	Food & & Bldg.	Textiles & Tobacco	Clothing
	%	%	%	%	%	%	%	%
Above target capacity	13	16	18	15	21	13	—	—
Planned output	69	55	55	57	19	84	88	—
Below target capacity	15	28	27	27	30	3	12	—
No answer	3	1	—	1	30	—	—	—

INVESTMENT AND LABOUR

Job hopes cut

THE DROP in the index covering labour requirements should be treated with some caution, because the companies which expected falls in the building and construction and food and tobacco sectors—tended to be the larger employers.

In all three sectors companies were more inclined to mention the potential cost of redundancy payments as a factor in discouraging them from increasing employment levels, but other aspects of employment legislation were less frequently mentioned. Plans to increase productivity were also mentioned



All three sectors were more inclined to mention both product demand and structure of labour supply as factors affecting employment.

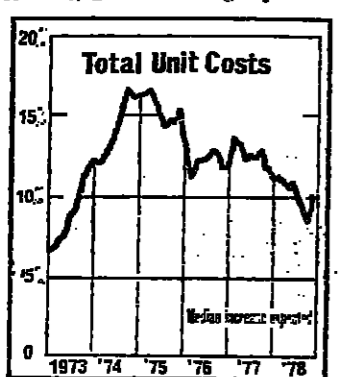
Both the building and construction and food and tobacco sectors were less inclined to say they expected to increase their capital expenditure over the next 12 months than they had been last July. As a result, even though the textile and clothing sector was more hopeful of increasing its expenditure, the indices for capital investment continued the fall which started last month.

Liquidity levels in industry remained generally satisfactory.

COSTS AND PROFIT MARGINS

Tough line on pay

COMPANIES INDICATED that they were prepared to adopt a fairly tough line on wage increases, and were slightly more



mentioning their vulnerability to official sanctions. Both the building and construction and food and tobacco groups were inclined to expect greater increases in unit costs than they had been last July and the median expected increase rose from 8.6 per cent to 10.6 per cent.

A more cheerful picture was evident over profit margins. Both the food and tobacco and textile and clothing sectors were more optimistic about increasing their margins than they had been in July, and this index, which had been falling, has recovered the ground lost last month.

These surveys, which are carried out by the Financial Times by the Taylor Nelson Group, are based upon extensive interviews with top executives.

Government policy seemed to play a significant part in their determination, with those companies saying they would oppose increases frequently FT Actuaries' Index, which

accounts for about 60 per cent of all public companies. The all-industry figures are four-monthly moving totals

covering some 120 companies in 11 industrial sectors (mechanical engineering is surveyed every second month). Complete tables can be purchased from Taylor Nelson and Associates.

Three sectors and some 30 companies are covered in turn every month. They are drawn from a sample based upon the

Strikes worse as plants get bigger—report

BY ALAN PIKE, LABOUR CORRESPONDENT

EVIDENCE that strike-proneness of manufacturing plants varies dramatically according to size, with more than three-quarters of very large factories suffering stoppages every year, is provided in a study by the National Institute of Economic and Social Research.

Its findings, published in the Journal of the Royal Statistical Society, are based on Department of Employment information. They complement the Department's detailed study of strikes. In an average year, only 2 per cent of all manufacturing plants experience strikes. It has been recognised that the proportion of stoppages is higher at bigger plants, but the Institute says that its new results substantially modify the previously expressed Employment Department view that the frequency of stoppages over the last three years has increased.

The three-year average strike frequency, with plant size by record of manufacturing industry no means as great in those from 1971 to 1973, according to the study, shows that only 0.2 per cent of plants employing more than 11 and 24 workers had strikes, compared with 0.3 per cent of those with 5-10 workers. These included 0.3 working days a plant action in the engineering industry against the Industrial Relations Act, 1971, which may range, the percentage of plants with strikes reached 14.3, and 498 plants with well-developed trade union organisation.

BL engineers want design industry aid

BL ENGINEERS have called for the strict maintenance of pay fast and radical Government policy at BL Cars has been a big action to bolster Britain's ailing cause of the loss of technical motor design and tooling staff and skilled craftsmanship.

It is absolutely essential to the survival of the company that its employees enjoy salaries and engineering staff union. It was conditions comparable with the best achieved elsewhere.

The union urged the Department of Industry and the Government to help the company to play at least three times the present number of designers, in design company capable of meeting the needs of the British motor industry and other advanced manufacturing sectors.

Mr. Eric Varley, Industry Secretary, also believed more planners, estimators and body design workers were essential.

BL was suffering like Ford, Chrysler and Vauxhall by losing skilled technicians to the Continent. Draughtsmen could earn up to £16,000 a year abroad, and was a drain on the balance of payments.

Midlands ambulancemen relax industrial action

BY OUR LABOUR STAFF

WEST MIDLANDS ambulancemen decided at a mass meeting at the weekend to lift from Monday almost all their industrial sanctions imposed in a pay dispute with local health authorities.

DO YOU HATE YOUR COMPANY CAR?

The trouble with driving a company car is that you have to drive what you are given.

And what you are given may not be entirely to your liking.

Especially when everyone else in your position seems to be driving the identical German-made, Italian-styled, British-named executive saloon.

Not that they're anything but fine cars. But if you'd wanted to be part of a fleet, you'd have joined the Navy.

The problem is, how do you persuade the company that your feelings towards your car are not hopelessly irrational?

Obviously, you must provide a rational alternative. Which brings us neatly to the Audi 100.

LOVE AT FIRST SIGHT.

Like most people, you've probably admired the Audi 100's sleek, purposeful shape.

But, as with everything about an Audi, there is reason behind the styling.

The body is built around our unique Timoshenko girders, with long crumple zones front and rear barring the way to a rigid steel passenger safety cell.

And its steering and braking system will keep the car on course if a front wheel skids or punctures.

The interior is quietly opulent with plush upholstery, thick carpeting and all the other trappings of a prestige car.

We've even tuned the seat springs so that they work in harmony with the suspension. And the 'acoustic sandwich' lining the floor absorbs as much noise as a six inch thick brick wall.

But we haven't provided you with all this luxury for its own sake.

The quieter the car, the less there is to distract you from your driving.

And the thick padding that surrounds you is there to protect as well as comfort you.

So if your company values your life as highly as it values your services, there's no safer car it can give you.

A UNIQUE PROPOSITION.

In one respect at least, the Audi 100 is unlike any other car made.

Its engine has five cylinders.

The reason for this odd configuration is something that will gladden the heart of your company accountant.

It is as quiet and smooth as a six cylinder engine but simpler and less thirsty.

And by designing out components such as cam-rods and jackshafts, we eliminated vulnerable wearing parts and reduced the amount of servicing the car requires.

In fact, going by manufacturers' figures, the five cylinder Audi 100 needs less than half as many hours servicing as the Rover 2300.

Your company will find that facts like these make sound business sense.

IT COSTS LESS THAN YOU THINK.

A five cylinder Audi 100 costs between £5,492 and £8,564 according to the model you choose.

Figures, you will notice, that compare very favourably with prices of other cars that, in our humble submission, do not offer you nearly as much.

But the final ace in your hand could be that the company doesn't even have to buy the car for you to drive one.

By leasing, you could drive away in a new Audi 100, by the simple expedient of your company paying £777, i.e. three months charges in advance.

Thereafter, you pay a monthly rental (that can include all maintenance costs).

And by setting the entire cost of leasing against tax, the real cost of the car comes down by half, which eliminates any worries your accountants may have about depreciation.

If this advertisement has only served to increase your discontent with your present company car, we apologise.

But if you can use it to good effect, you'll end up with a car that you'll love.

YOU'D LOVE A NEW AUDI 100

Please send me details on buying or leasing an Audi 100.

Name _____ Position _____

Company _____

Address _____

Cut out and send to Audi Marketing Department, Volkswagen (GB) Ltd, Volkswagen House, Yeomans Drive, Blakelands, Milton Keynes MK14 5AN.



Building and Civil Engineering

Boots' £11m jobs

A VARIED range of contracts, totalling more than £11m, have been won by Henry Boot Construction.

Largest is a £3.3m award for the building of 265 houses and flats at Clayton Brook, near Chorley, for the Central Lancashire Development Corporation. The dwellings will be of traditional construction, and site works will include roads and sewers. The project has already begun and is due to be completed in about two years.

Another housing scheme, at £2.7m, covers 241 dwellings to be constructed at Scale Hall Farm, Lancashire, for the Northern Counties Housing Association. The scheme includes 70 two-storey houses and 171 two- and three-storey flats, which will have brick and block external walls and tiled pitched roofs with plastered internal walls. Included in this contract are parking areas, access roads, paths and grassed and planted areas.

Under a £1.7m contract from Leeds City Council, the company will also construct 133 dwellings at Rothwell Green Lea, near Leeds. The site is in the Oulton area of Rothwell and contains housing built in 1922 of cement-rendered clinker-built construction. Some houses have already been demolished and others will be demolished as the scheme progresses, with new homes being provided in sequence. The scheme should be completed in early 1981.

Marriott in big project

FROM THE Milton Keynes Development Corporation, Robert Marriott, Rushden-based member of the French Kier group, has won a £3.6m contract for the construction of 63 advanced factory units contained within 10 blocks. Some of the units will have two-storey office accommodation.

At Blakelands North, Milton Keynes, the factories will have concrete floors and foundations

with steel frame super-structure. Marriott's will use cladding and facing brickwork externally and blockwork internally for dividing walls. Total floor area of the new facilities will be 29,000 sq metres and the Corporation is both client and architect.

Marriott is undertaking the advanced ground works and will be starting the main structures shortly. These will be completed in just over 18 months.

Disposal of alumina mud

SUPERVISORY work is to be proposed £287m alumina plant carried out by Engineering and Resources Consultants (Ercos) of Bracknell, Berkshire, for Alumina Contractors of Limerick, Republic of Ireland, on the construction of the mud stacking area and associated works at the main plant area.

As well as providing site supervision in respect of civil engineering works for the mud pond, Ercos staff will advise Alumina Contractors on construction of the mud stacking area and associated works at the main plant area.

Housing in Scotland

TWO CONTRACTS with a total value of £4.1m have been awarded to Alexander Hall and Son (Builders), member company of Aberdeen Construction Group. The first contract, worth £3.1m, has been awarded by Moray District Council for the erection of 286 houses, including site works and drainage, at Coulardbank Road, Lossiemouth. The second, valued at £1m, has been awarded by the Highland Health Board and is for the erection of staff accommodation, comprising flats and houses, the provision of external services, and the demolition of existing accommodation blocks at Inverness Central Hospital.



Trollope and the Mermaid development

A MARRIAGE of convenience between Touche, Remnant and Co., and the Mermaid Theatre Trust gives the company a 40,000 square foot office complex, and the theatre a major reconstruction extension and general refurbishment, under a £3.6m contract to Trollope and Collis.

The theatre's dowry was its present site in Puddle Dock where, says artistic director Sir Bernard Miles, it has "squatted for over 12 years" and an Office Development Permit obtained by the Trust in 1970.

The international investors acquired a 999 year lease from the City of London for £1m, and work is now under way for the mutually beneficial project which is scheduled to be completed within the next 22 months.

Demolition work has started in preparation for piled foundations sited round the theatre's auditorium, which will support

Gleeson in at several sites

GLEESON has won contracts worth more than £7.4m in Britain and overseas.

M. J. Gleeson (Contractors) is in with GLC on a job valued at £2.13m to construct 119 dwellings at Thamesmead Area 10 D—this is the third contract awarded to the company at Thamesmead.

North British Housing Association has awarded Gleeson (Sheffield) a contract worth £1,997,538 to build 188 dwellings at Nottingham. The same affiliate has also been awarded a contract at Princetown Road, Bradford, by the City of Bradford Metropolitan Council to build 53 dwellings at a contract value of £638,175.

Midland Bank has awarded this company a contract valued at £45,000 for internal fitting out works at Jubilee House, Sheffield, a Gleeson Office Development Project.

Outside Britain, the Government of the Seychelles has awarded Gleeson (Construction) a contract valued at £805,000 to build a refrigerated cold store on the island. Erection work in the Seychelles starts in January, 1979.

Gleeson (Construction) will build a cold store at Queensferry, Clwyd, for Iceland Frozen Foods. Work has started and completion is due in April, 1979, the value being £354,000.

For Burnley, Gleeson Civil Engineering will divert the River Brun—the contract value is £532,000 and work is commencing shortly. This group has also started work on the preparatory earthworks at Talfarnbach (valued at £300,000) for the Welsh Development Agency and on the pit drainage reconstruction scheme for the Mid-Glamorgan County Council, valued at £200,000.

Offices by Bison

BISON Concrete (Scotland) is in on three shop and office developments in Aberdeen, Glasgow and Sunderland for a total value of £533,900.

In Aberdeen, a two-storey office block for British Brown Boveri on Allens industrial estate will be erected in precast concrete load-bearing structural panels.

New offices for Tennent Caledonian Breweries are to be erected at Wellpark Brewery, Glasgow, on an area of nearly 900 sq. m. on 3/4 floors, at a value of £113,300.

In Sunderland, a commercial development of offices and shops is being carried out for Barratt Developments (Properties) for £489,500.

Commuters given some cheer

TWO CONTRACTS, valued together at £21m, involving improvements to stations on the East London Line and bridge work at West Ham Station, have been awarded by the London Transport Executive to John Mowlem.

The main £2m award is to modernise or improve stations on the East London line, which runs from Shoreditch under the Thames to New Cross and New Cross Gate. All six London Transport stations, on the line, will be upgraded and platforms in two British Rail Stations will also be involved.

Work at each station will vary but includes an extensive lighting modernisation scheme, re-asphalting of platforms and improving platform walls by installing laminated plastic covered plywood panels.

The second contract, with a £20,000 value, involves bridge reconstruction work at West Ham Station where the District Nine months, an official of the Corporation said. The factories are being built for English Industrial Estates Corporation on its Eland site, in a contract worth about £350,000. Work has just started, reconstruction work at West Ham Station where the District

Tarmac in the North

WORTH A total of more than £1m, several contracts in northern England have gone to Tarmac Construction's Leeds-based organisation. Biggest jobs are in the Leeds area, and involve two office blocks and three new advance factory units.

The factories are being built for English Industrial Estates Corporation on its Eland site, in a contract worth about £350,000. Work has just started, reconstruction work at West Ham Station where the District

Fairclough in Midlands road work

FAIRCLOUGH Civil Engineering, Northern Division, is ready to start work on a £3.5m motorway contract which will help to provide better road links between the North West and North Wales.

The contract for a new stretch of the M351 in Cheshire and an interchange to Stock has been awarded by Cheshire County Council and is linked to a multi-million extension of the M56.

More space for diesels

WORK ON the building to house a new test and assembly area extension at the Dursley factory of R. A. Lister and Co., a Hawker Siddeley company, has begun. The new facility, covering an area of 15,738 square feet and costing in the region of £1m, is required as part of the company's continued expansion plans to increase the production capacity of the rationalised Lister 12 and 16 ranges of diesel engines. The facility is planned to become operational in June 1979.

The contract for the new building has been placed with Avonmouth Construction which is working in conjunction with Kelvin Construction, another Hawker Siddeley company. The extension will house eight environmentally controlled test cells, grouped around a central isolated operators' area. This affords a better environment for the test cell staff and also makes loading and unloading of the engines on test easier from the preparation area surrounding the test cells.

IN BRIEF

Work on the Elms Industrial Estate, Bedford, is worth £1m to Hunting Gate Construction. It will undertake a new warehouse and office development for United Heating Services and also build a major office and factory complex for GTE Unistrut, the Bedfordshire-based subsidiary of the Unistrut Corporation of America.

CONTRACTS AND TENDERS

GOVERNMENT OF YEMEN ARAB REPUBLIC HIGHWAY AUTHORITY

TENDER NOTICE FOR ROAD CONSTRUCTION

The Highway Authority of Y.A.R. invites tenders for the construction of one or both (each to be submitted separately) of the following roads, the construction of which shall be financed by the Government of the Kingdom of Saudi Arabia.

1—Yerim/Qatabah: 96 Kms

This will be an asphalt paved single carriageway road 7.00m wide with two 1.50m shoulders, located in the south-eastern part of the Republic.

2—Beit Marruan/Al Hazm: 112 Kms

This will be an asphalt paved single carriageway road 7.00m wide with two 1.50m shoulders, located in the north-eastern part of the Republic.

Tender documents can be purchased starting 16th December 1978 for a non-refundable cash price of US Dollars 500 per complete set of each road. The documents will not be airmailed and therefore interested tenderers should personally or through their authorised representatives collect the documents from:

Highway Authority, Zubeyri Street
PO Box 1185, Sana'a, Yemen Arab Republic
Cable: TOROKAT - Telex: 2208 ASHGAL (YE)

Tenders duly completed should be submitted by hand in sealed envelopes to the Chairman of the Highway Authority not later than 10.00 am (local time) on 17th March 1979.

INFLATION ACCOUNTING

THE PLANNED STANDARD

London Hilton, December 14 and 15 1978

This conference has been arranged after consultation with Mr Tom Watts and Mr Douglas Morpeth to:

- review the experience of the Hyde interim guidelines
- discuss progress in other countries
- consider ASC's outline plans for the forthcoming CCA exposure draft, due to be issued early in 1979.

Distinguished speakers include:

Mr T R Watts, CBE
Chairman, Accounting Standards Committee

Mr Douglas Morpeth
Chairman, Inflation Accounting Steering Group

Mr William Hyde
Chief Accountant, University of Oxford

Mr Shaun F O'Malley
Price Waterhouse National Office, New York

Mr Donald Mackay
Finance Director, Mond Division, ICI Limited

Mr G M Nissen
Deputy Chairman, The Stock Exchange

Mr K J Sharp, TD
Head of the Government, Accountancy Service, Department of Industry

The conference is sponsored by the Financial Times, World Accounting Report and the Investors Chronicle and will be of particular interest to board members and senior financial and accounting executives.

To: Financial Times Limited, Conference Organisation, Bracken House, 10 Cannon Street, London EC4A 3DF.

Please send me full details of the Inflation Accounting, The Planned Standard Conference.

NAME.....COMPANY.....

ADDRESS.....

A FINANCIAL TIMES CONFERENCE

PLANT & MACHINERY SALES

Description Telephone

ROLLING MILLS

5in x 10in wide variable speed

Four High Mill

3.5in x 8in wide variable speed

Four High Mill

10in x 16in wide fixed speed Two High Mill

10in x 12in wide fixed speed Two High Mill

17in x 30in wide fixed speed Two High Mill

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1973 THOMPSON & MUNROE STRIP

STRAIGHTENING & Cut-to-Length machine

1970 CUT-TO-LENGTH max capacity

1,000 mm 2 mm x 7 tonnes coil fully

overhauled and in excellent condition

STRIP FLATTEN AND CUT-TO-LENGTH LINE

by A.R.M. Max capacity 750 mm x 4mm

RWE TWO-STAND WIRE FLATTENING AND

STRIP ROLLING LINE, 10in x 8in rolls x

75 hp per roll stand. Complete with edging

rolls, turn 'n' head, flaking and fixed recoiler,

air gauging, etc. Variable line speed.

0.15 ft/min to 0.1,500 ft/min.

SPLITTING LINES (2) 300 mm and 500 mm

capacity

8 BLOCK (400 mm) IN LINE, NON-SLIP WIRE

DRAWING machine in excellent condition

0.2,000 ft/min variable speed 10 h.p. per

block (1968)

24in DIAMETER HORIZONTAL BULL BLOCK

by Farmer Norton (1973)

PACEMAKER SIX BLOCK (22" x 35 h.p.)

variable speed Wire Drawing Machine by

Marshall Richards.

2 15 DIE M4 WIRE DRAWING MACHINES,

5,000 ft/min with spoolers by Marshall

Richards.

9 DIE 1,750 ft/min SLIP TYPE ROD DRAWING

MACHINE equipped with 3 speed 200 h.p

drive 20in. Horizontal Draw Blocks 22in

Vertical Collecting Block and 1,000 lb

Spooler (Max inlet 9 mm finishing down

to 1.6 mm copper and aluminium)

7 and 9 ROLL FLATTENING & LEVELLING

MACHINES.

100 TON CAPACITY COILING PRESS by

Taylor & Challen—virtually unused—fully

automatic 160 s.p.m. x 24 mm stroke.

HYDRAULIC SCRAP Baling PRESS,

by Fielding and Platt, 85 ton main ram

pressure.

TYPE 1000R CINCINNATI PLATE SHEAR

max capacity 1000 mm x 25 mm M.S. Plate,

complete with full range of spares

No. 1 FICER SHEAR, max capacity 50 mm

rounds, 75 mm x 35 mm bar, 400 mm x 10 mm

bars (spare shear blades).

CAYMAN ALLIGATOR SHEAR, max capacity

90 mm rounds, 300 mm x 40 mm bar and

600 mm x 16 mm flats (spare shear blades)

No. 34 OLIVER QUICKWORK SHEARS max

capacity 10 mm. Mild Steel

CINCINNATI GUILLOTINE 2,500 mm x 3 mm

capacity complete with magnetic sheet

supports and motorised back stops

1974 FULLY AUTOMATED COLD SAW

by Noble & Lund with batch batch

3 CWT MASSEY FORGING HAMMER—

pneumatic single blow

COLE MOBILE YARD CRANE, 6-ton

capacity lattice job

WALDRICH COBURG HYDRAULIC PLANER

capacity 160" x 50" x 50". Almost new

condition.

4,000 TON HYDRAULIC PRESS. Upstroke

between columns 92" x 52" daylight 51"

ANKERWERK 400 TON INJECTION MOULDER

UPSET FORGING MACHINE

4" dia. 750 tons upset pressure

2,000 TON PRESS. Double action area 132" x 84"

WICKMAN 2: 6SP AUTOMATICS 1961 and 1963

EXCELLENT CONDITION

WICKMAN 11" AUTOMATICS, 6 sp Excellent

WICKMAN 11" AUTOMATICS, 6 sp Excellent

CINCINNATI CENTRELESS GRINDER,

Excellent

LINDNER JIG BORER, etc; accurate

SLOTING MACHINE, 14 stroke, excellent

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Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHIDERS

● MATERIALS

Cutting the cost of stainless steel

ALTHOUGH steel is a problem in plants, process time is saved by the use of stainless steel. The drive for greater efficiency continues, and an added bonus is that up to a new and more cost-effective 20 per cent of the total oxygen method of producing stainless steel is supplied by the material. This has been developed by Inco Europe and is being conducted by Inco Europe and Inco Steel, which is a subsidiary of Inco.

Full commercial production of stainless steel is in progress. The new system is in trial vessels. Nitrogen is preferred to argon for the process, as it is more readily available and less expensive. The process has also been introduced by Inco Europe, which is a subsidiary of Inco. The process is being used to produce stainless steel for the chemical and food industries. The process is being used to produce stainless steel for the chemical and food industries. The process is being used to produce stainless steel for the chemical and food industries.

● OFFSHORE INDUSTRIES

Remote test of cathodes

MONITORING the performance of cathodes in offshore structures and pipelines is currently being carried out by a new method involving testing by Shell UK Exploration and Production, in the North Sea. Developed by Wilson Walton International, it uses acoustic telemetry to transmit performance data to the surface, dispensing with the need for continuous and vulnerable cable runs used in existing monitoring systems. It has self-contained sub-sea monitor units incorporating dual reference electrodes and a Wilson Walton International portable surface display unit with an immersed transducer. In operation, each unit is programmed with an individual interrogation code and will respond to the coded signal from the surface display unit with the precise reference electrode potentials presented on two 3 1/2 digit LCD displays.

● TEXTILES

Maintains yarn quality

WHEN SPINNING various fibres from dust during opening and on new spinning equipment, there is a degree of protection from dust generation and in which there is a polyester collection. Particularly in this component, problem encountered with cotton. Duralol 47 is being sold in when the wax from the cotton. It is a polyester collection. Particularly in this component, problem encountered with cotton. Duralol 47 is being sold in when the wax from the cotton. It is a polyester collection. Particularly in this component, problem encountered with cotton. Duralol 47 is being sold in when the wax from the cotton. It is a polyester collection.

● PROCESSING

Takes out the dust

IN COAL and oil-fired power stations, lime and cement kilns, steel plants and refuse incinerators, efficiency of dust extraction and gas filtration must be maintained. An instrument specially designed for measuring and recording the concentration of dust particles in gas flows in chimneys, stacks and ducts directly in units of weight per unit volume of gas without need for further data processing is called the Beta Dustmeter. This equipment is available from Krohn Measurement and Control, Moulton Park, Northampton NN8 1JZ (0604 499704).

It is particularly useful where toxic dust must be kept below prescribed limits, and consists of six units—a gas sampling unit; a dust mass sensor; a gas volume measuring and regulating unit; electronic control; sampling pump; pump and chart recorder. Samples of gas are collected by a sampling probe which is inserted in an air stream, the chimney by a small electric motor which ensures that the sample is representative under all conditions of flow. The sampling rate can be held proportional to the flow rate of the main stream by means of interchangeable probe nozzles, and by adjusting the sampled volume flow velocity. Alternatively, for less critical applications, a fixed probe can be utilised.

The equipment is available in two versions—fixed installation and transportable. FIELD TESTS show that a new cartridge has a dirt capacity several times greater than comparable existing ones says Pall Process Filtration, Walton Road, Portsmouth PO6 1TD (07018 70901).

It has just launched a range of high dirt capacity, non-fibre releasing, disposable cartridges which are manufactured entirely of polypropylene. These are ideal for use in the great majority of chemical applications including chemical, pharmaceutical and food manufacturing. Absolute removal ratings are from 1.5 to 40 micrometres for liquids, and from 0.2 to 15 micrometres for gases.

Cuts thick materials

ABLE TO cut and trim leather, in thicknesses of up to 1 inch, and rubber, plastics and hardboard to 0.08 inch thick with complete accuracy, says the maker, is a range of rotary guillotine from Rotatrim, 53 Belmont Road, Uxbridge, Middlesex, UB8 3SA (Uxbridge 38190). The machines are hand-operated, and cutting accuracy is achieved by the provisions of a calibrated perspex rule, set perpendicular square along one edge of the rigid and warp-proof Formica-topped baseboard. A transparent clamping bar under which the work is fed to the blades allows easy sighting of the cut. Operators safety is guaranteed because the design of the machine ensures that fingers cannot be placed between the cutting edges.

● TRANSPORT

Shaping up for the future

PRINCIPAL interests of Bladen and Noakes (Holdings) are the manufacture and reconditioning of steel drums and wooden casks, as well as plastics mouldings, chemical manufacture and trading, and industrial protective equipment. It controls a group of manufacturing companies (with an annual turnover in excess of £50m), operates from 15 locations in the UK and overseas, and this week unveiled its shop window of diversified products.

Activities range from chemicals for the paint, cosmetics and food industries, through lithograph printing of steel sheets to plastic horticultural and household products. In East London, Willmot Industrial Mouldings specialises in technical blow mouldings in plastic. Despite the present Department of Industry embargo on plastic material as a container for petrol (some continental cars already have plastic fuel tanks) this company has developed and shown an experimental blow-moulded tank in high density high molecular weight polyethylene.

● DATA PROCESSING

Handles a mass of data

ELBIT, WHICH began operations in Britain last March, has announced the UK launch of its Pact computer system. Made by parent company Elbit Computers of Haifa, Israel, the Pact system is an advanced development of the CDC System 17, of which well over 1,000 have been installed worldwide. Pact itself is a general-purpose minicomputer system with CRT terminals, running under a dte operating system. First two members of the Pact family to be available in the UK are Key-

● COMMUNICATIONS

Universal telex

TELEPUNCH AUTOMATIC symbols, e.g. f, s, %, & 1, 1, are telex tape punching system is an advance towards greater utilisation of existing office equipment through its ability to accept input from not only typewriters but also displays and computers. Up to eight workstations can be linked into each punch unit and the system has been designed to allow simultaneous creation of telex messages in each station.

Input from typewriters is through a specially developed interface beneath the typewriter and a control unit which incorporates a variable memory.

Input from visual display units and computers is via a standard V24 interface, but special chips are used where available, to achieve compatibility with equipment not possessing the interface. Alternatively a buffer unit is available. Typewriter interface allows a typist to use all the keys on her typewriter. Certain non-telex

● COMPONENTS

Hygienic switch

DEVELOPED by Delta Controls is an open diaphragm flange-seal pressure switch, model 208 which makes use of a crevice-free stainless steel diaphragm. It is aimed at the dairy and foodstuffs industries where it is important that viscous fluids do not collect in internal mechanisms and encourage micro-organisms growth. Operating range can be from 50 millibars to 15 bars and the pressure connection is by 2 inch

● CONSTRUCTION

Will trace the pipes

MOST OF the requirements for metallic pipe and live cable tracing in the construction industries and public services can be met by the H1078 instrument introduced in the Parametron label by Sharetree of Stroud.

Tracing is performed either by direct detection of the current in the case of live mains cables or by detection of an induced signal via the transmitter provided.

In the former case a search coil wand is plugged into the receiver and the presence of a live cable is indicated by a change of audio note in the operator's earpiece. By using positions to each side of the cable its depth can be gauged. In soil that is sufficiently dry, detection of four in. pipes down to 8 ft is possible to an accuracy of about 2 ins.

To detect passive metal the transmitter and receiver are mounted together on a horizontal carrying frame so that they are displaced by about 3 ft. Radiation from the transmitter induces a modulated 81 kHz signal into the metal and the receiver (sufficiently remote to prevent direct pick-up) detects the re-radiated energy.

After a pipe location has been found, its extensions can be traced by placing the transmitter at the location and using the receiver only. The complete 40 in-long unit weighs about 10 lb. Each electronic unit is powered by a PP9 battery with a life of 125 hours (transmitter) and 200 hours (receiver). Parametron, 70 Westward Road, Stroud, Gloucestershire GL5 4JA (04536 2006).

thurley
DIRECT GAS-FIRED
SPACE HEATING
AND
PROCESS HEATING
Ripon Road, Harrogate, N. Yorks.
Tel: 515111 Telex: 67559

● SECURITY

Thwarts the intruder

A SOUND detector is the secret of an alarm system called Vanguard, perfected by Modern Automatic Alarms, 25, Hampstead High Street, London NW3 1QA (01-794 8191).

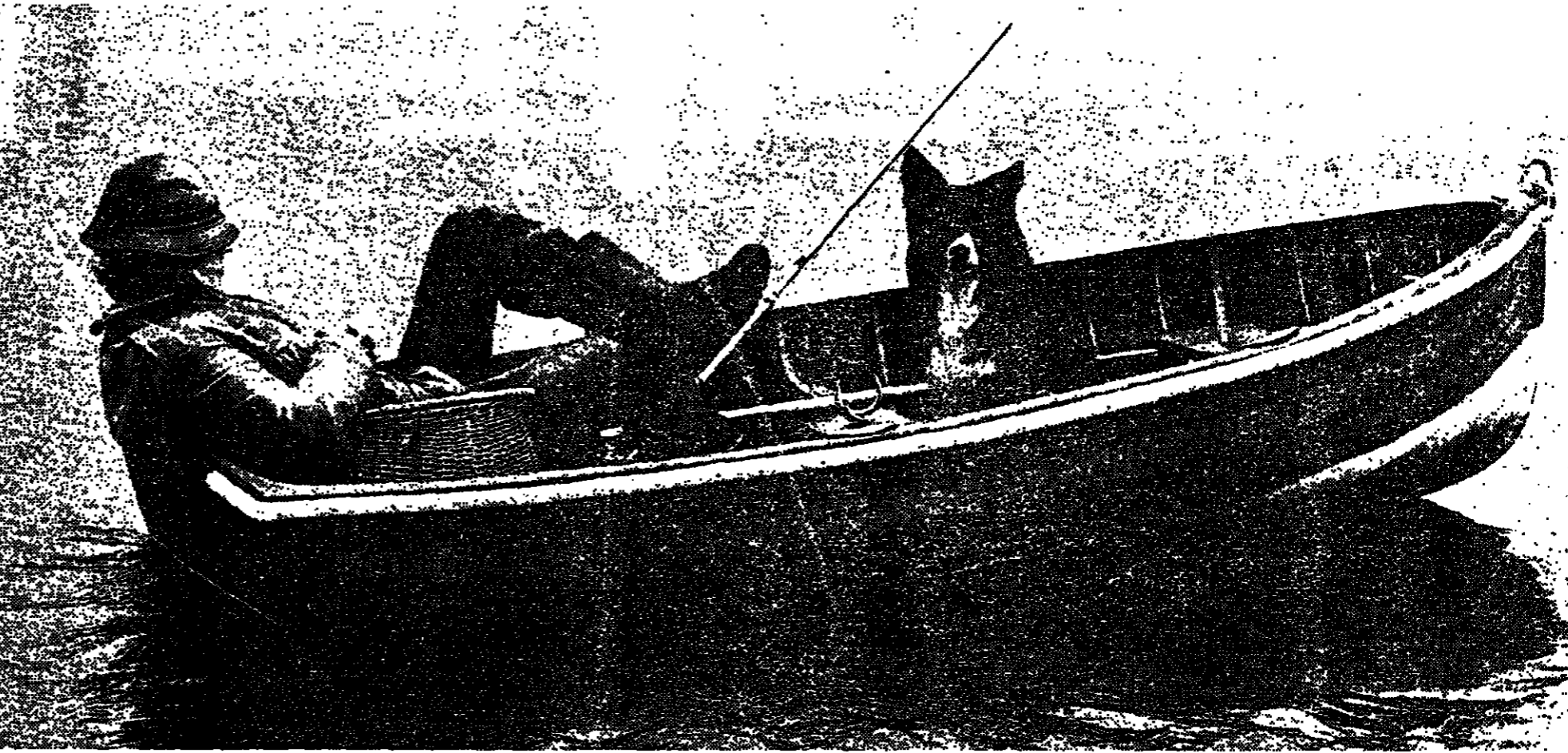
Catching villains is not enough, says the maker, equally important is preventing extensive and expensive damage to buildings, equipment or fittings, etc., perpetrated on illicit entry.

This system consists of separate units to control separate rooms, and is said to be a facility which cuts out the false alarms associated with other devices. It discriminates against noises outside the area of protection, and yet registers the sound of smashing glass, banging of desks, shouting, and stones hitting window panes.

The company says that the system is proving to be a successful deterrent in and around the Birmingham area where educational establishments, in particular, are using it for protection for schools, colleges, etc., which are uninhabited overnight.

THIS IS HOW VOLVO RECHARGE THEIR BATTERIES.

Even the most hard working of firms should put its feet up now and again. Which is one of the reasons so many of them appreciate having



set up in Irvine, a new town whose attractions extend much further than the office and factory floor.

To include all the delights of a place that's slap up against the open sea.

With a harbour that provides mooring for the sailing enthusiast.

Rivers with enough trout and salmon in them to catch any fisherman.

And golf courses that match any in the world.

Facilities which, taken together, make Irvine one of the most attractive business environments in the country.

And the only one in which leisure activities are more than matched by industrial incentives.

Strong enough to have persuaded not only Volvo but over a hundred and twenty other firms to set up business here.

If you'd like to find out more about what makes Irvine such a beautiful place in which to invest your future, write to our Commercial Director, Mike Thomson.

And tell him you're interested in floating a new company.

IRVINE NEW TOWN

CURRENT DETAILS OF FACTORIES, SITES, OFFICES AND SHOPS AVAILABLE, TOGETHER WITH THEIR RENTS, ETC., CAN BE OBTAINED FROM MICHAEL S. THOMSON, COMMERCIAL DIRECTOR, IRVINE DEVELOPMENT CORPORATION, PERCETON HOUSE, IRVINE, Ayrshire, KA11 2AL. TEL: IRVINE 74100 TELEX: 778984

The Executive's and Office World

Jeremy Dodd on changing attitudes to the traditional way of handling redundancies

Why Japan may soon put the squeeze on golden handshakes

IN JAPAN there is a long tradition behind the idea of the "golden handshake". It has always been a useful device for improving the efficiency of a firm without upsetting the web of complex relationships between the owners and the workers.

Now, with an increasing number of firms finding it hard to sustain their traditional rates of growth, and an ever-increasing wages bill leading them to "best productivity" still further, there is an intense debate in both industry and government about the need for a re-examination of the traditional way of handling redundancies.

Behind the discussion lies the dramatic transformation of the Japanese labour market in the last five years. From 1965 to 1975 there was a severe shortage of workers, fluctuating from 13 to nearly 22 per cent of the number actually employed. Since the oil crisis, the shortage has gradually eased, while unemployment has risen by an annual average of 10 per cent over the last three years—to a current figure of at least 1.2m. The position of women workers is particularly bad: female unemployment has increased by about a third over the last year.

Japan's traditional redundancy system is more complex, more costly and indeed more personal than in Britain. It can be far more expensive than, for example, the much publicised British "golden handshake". The concern of a company for redundant workers is sometimes quite open-ended, in a high-minded power is to find ways of keeping such workers on the books, but underemploying them.

For its part, the Ministry of Labour is trying to reduce the number of unemployed by following traditional patterns in their management and handling (in place of the usual five and of surplus labour). This applies, a half plus; by calling for a virtually all the larger firms reduction in overtime working;—those with great efficiency and by promoting the idea of longer paid holidays (apart from national holidays, the distributors and associated companies being as it were, though large companies lower rank, will be less able to average 11%). This campaign of



provide quite so much support to surplus employees, and minor firms subcontracting for them will be able to do very little. Traditionally, in almost any sort of company, employers and employees have lived partly on the expectation that past loyalty will, in some way or other, be rewarded. Even if these moral obligations of paternalism have to be postponed, the dismissed employee may be taken on again or even his sons in his place; the supplier may be kept in business with token orders.

Some of the newer firms which subscribe to American management ideas, may give very limited compensation, but there are no exact statistics on such management styles in the complex world of industrial Japan.

For most firms, the first step in dealing with surplus manpower is to find ways of keeping such workers on the books, but underemploying them.

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official encouragement is being directed at both management and workers, so that employees will put pressure on their companies for changes of this sort.

The second step for most companies is to try to get associated suppliers or dealers to take on the surplus manpower—probably at a reduced salary or wage.

Thirdly, attempts will be made to secure individual agreements with workers on their early retirement. This will follow a round of discussions with the company union to set levels for "average" workers.

There is no fixed age for normal retirement, but it is certainly earlier than in most European countries, with almost half retiring at 55 and a third at 60. Only 3 per cent stay on until 65. Those who retire after 65 years of age are probably the home workers who still live in many instances, in specially adapted houses incorporating weaving, dyeing, papermaking or other craft activities. There is no pattern of men retiring later than women; this is a European tradition which is strange to Japanese eyes.

A typical age for early retirement is 45, with the company pension calculated on the basis of theoretically working shared equally with the state on to the age of 55. The worker if the firm is larger than 300 will continue to receive his bi-

annual bonus for that 10 years which could give him as much as four years extra basic salary. Further inducements may be added in some evitable cases. Even the emotional bond to the firm remains and the employees may be taken on again full or part-time if conditions allow it. They provide a valuable reservoir of skills.

Finally, if there is no alternative to dismissals, lengthy negotiations with the company union will take place to determine what the level of compensation should be. This solution is shunned, if at all possible, as it would normally be the most expensive; severance pay will often be as much or more than the cost of retraining workers early.

Dismissal also suffers from the twin disadvantages of creating hostility and laying the firm open to protracted lawsuits, with perhaps heavy damages at the end of the day. It could take years before the case even gets into court and legal costs are high.

Where possible, the larger firms will take advantage of a short-term semi-governmental "hide-over" system, whereby workers are provided with 60 per cent of their basic wage for the up to 100 days—the cost is shared equally with the state on to the age of 55. The worker if the firm is larger than 300 will continue to receive his bi-

wholesaling or 50 in services. Smaller enterprises need only pay one third. During this period workers stay at home.

Where the worker is dismissed there are two safety nets. The first consists of unemployment pay limited to 300 days for those over 55, graduated down to 90 days for the under 30s. This is equivalent to 60 per cent of basic wages for the high paid, 80 per cent for the lower paid.

Where there is no alternative, such as family or other support and the case is one of hardship, a much smaller benefit can be paid. It is claimed that swindlers are excluded by a series of tough barriers. The number of recipients of this type of benefit is only a fraction of those receiving supplementary benefit in Britain, though the official Japanese unemployment figures are almost as high as the UK's—higher on some counts.

The philosophy implied in these measures is one of temporary help for a limited period, while the traumatic effects of "cut-off" from the company are weathered with the expectation that the able bodied will and work, create work or be helped by their family, old schoolmates or people who were brought up in the same district and have since made good.

This approach is intended to stimulate activity and self-help in the thinking man and woman, rather than be a steady support.

The debate on how to meet the unemployment problem seems to be moving slowly towards a consensus. There is a growing feeling that an open-ended company commitment to life-long support may no longer be tenable. The unions will resist radical changes, but there are signs that they might accept something like a modest proposal to pay retirement money on the basis of a maximum work period of 33 years.

Resolution of this issue would help answer a second question: will the rationalisation taking place within an increasing number of companies reduce the resilience for which the Japanese economy is famed? Or will it restore competitiveness and stimulate re-employment?

Finally, three members of Edinburgh University have been given £1,686 to study and compare the changing disclosure practices of five firms.

The Edinburgh group's research will be conducted in two stages. Stage one, consisting of an examination of four firms in different branches of industry, will be broken into three parts: an examination of each firm's history; a study of current disclosure practices, mainly of financial information; and a study 12 months later to see if practices and attitudes have changed.

Stage two will involve an additional firm, in which a policy of disclosure is, in the on acquisition and use of company information by trade

The growing social pressures on European business

THE GROWING demand for greater disclosure of information by companies is fast becoming the biggest social pressure on European business. In a survey of nearly 500 chief executive officers in 11 European countries 56 per cent said there had been increasing pressure for more disclosure over the last five years.

This widening survey, conducted by Management Centre Europe, shows that throughout Europe there have been major changes in attitudes towards what might be described as corporate social responsibility, and that companies are devoting more top management time towards reconciling the social and economic claims on their business.

Many companies have also made changes in their organisations in response to these pressures.

The survey also reveals some particularly pessimistic views on unemployment held by the executives. Across Europe, 90 per cent said they believed present levels of unemployment would continue. The most pessimistic countries were Belgium, Germany and the United Kingdom, where every respondent suggested there would be no improvement in the level of unemployment in the foreseeable future.

Government legislation on corporate affairs attracted the highest response, with 66 per cent of companies stating that they collected regular intelligence; a figure which seems surprisingly low. Fifty-one per cent of companies said they followed environmental issues closely.

Nearly half the companies reported that they had made changes within their organisation to "meet the challenge of new social and political pressures." Norway topped this list, with 78 per cent of companies reporting organisational changes. This was followed closely by Spain (71 per cent); although, as the authors of the survey point out, the changes in Spain are far more basic in European terms.

Other responses to the question on organisational changes were: UK (61 per cent); Denmark (60 per cent);

countries—although it must be emphasised that, with Sweden, we are talking of business action and reaction in an advanced social state, with well developed social and worker protection laws.

"In Spain, the recent liberalisation following the end of the Franco era has brought instant freedom to a growing technological workforce." Into a few short months had been telescoped what had taken 40 or 50 years to evolve in other Western nations, the authors argue.

It is no wonder, in the present climate, that Spain's business leaders find themselves highly concerned with social issues, and coupled with the demands for total industrial democracy they must figure as the major issues of the present time in that country."



John Humble, joint author of the survey on "Corporate Social Responsibility"

Safety

After disclosure of information, the next area to come in for increased social pressure was improvement of the physical working environment. Over the past five years 82 per cent of the chief executives reported more demand for improvements in safety and lighting at the place of work.

At the other end of the scale, making less impact, is the shareholder. Only 31 per cent of the sample believed that there had been an increase in pressure from this group, and although two thirds said there had been no change, 3 per cent reported a decrease in pressure.

The changing aspirations of minority groups were not regarded as a serious pressure on companies at present, reports the survey. Across Europe only 8 per cent said there had been a marked increase in demands from minority groups. The exception was Spain, where 54 per cent said there was an increase in such pressure.

Similarly, questions on the monitoring of information of social issues revealed that minority groups were at the bottom of the list. Only 26 per cent of companies reported any regular gathering of information on this group.

Social audit

By contrast Germany and the UK were at the bottom, with the lowest proportion of replies indicating that chief executives were spending more time on social and public issues.

Again, companies in Germany and the UK also showed the least interest in making a formal study or audit of their social responsibilities. In these two countries just over 20 per cent of the companies had carried out any form of study, compared with a European average of 38 per cent.

Of those companies in Europe which had carried out a social audit, three-quarters cited "protecting long-term profitability" as their most important motivation. The second main reason was "to ensure optimum use of company resources."

Belgian companies scored highest—in quantitative terms—on communicating social policies, plans and company achievements to their employees, with 94 per cent of companies doing so, compared with a European average of 78 per cent. Germany came second with 92 per cent of companies. Italy scored lowest with only 58 per cent. In the UK the figure was 69 per cent.

Forty-five per cent of the companies—and this was consistent country by country—said that institutional investors and financial analysts were asking more questions about the company's social policies than three years ago.

Corporate Social Responsibility by John Humble and Michael Johnson is available from Management Centre Europe, Avenue des Arts 4, B-1040 Brussels, Belgium, price BFf 1,500.

consistently score higher "concern" percentages than other

Jason Crisp

Information disclosure under the microscope

THE Social Science Research Council is to spend £50,000 over the next two years on four related studies into current and future patterns of disclosure of company information to trade unions and employees.

The work being supported under the programme covers empirical studies of current practices and attitudes to disclosure, on such matters as company finances and work organisation. The SSRC says the findings

of the research "should help to develop an understanding of the organisational, industrial relations and other changes necessary to improve the range and effectiveness of information disclosure."

The largest of the four awards (£17,986) has been given to two members of Kent University, for a study into "the implications of information disclosure for domestic collective bargaining and wider trade union and management relations."

Next largest (£15,000) is that to a member of the Anglian Regional Management Centre, for a study of the effects of voluntary and what is termed "reluctant" disclosure policies.

Third, to a member of Ruskin College, Oxford, goes £11,961 for research into the constraints on acquisition and use of company information by trade

unions.

Finally, three members of Edinburgh University have been given £1,686 to study and compare the changing disclosure practices of five firms.

The Edinburgh group's research will be conducted in two stages. Stage one, consisting of an examination of four firms in different branches of industry, will be broken into three parts: an examination of each firm's history; a study of current disclosure practices, mainly of financial information; and a study 12 months later to see if practices and attitudes have changed.

Stage two will involve an additional firm, in which a policy of disclosure is, in the on acquisition and use of company information by trade

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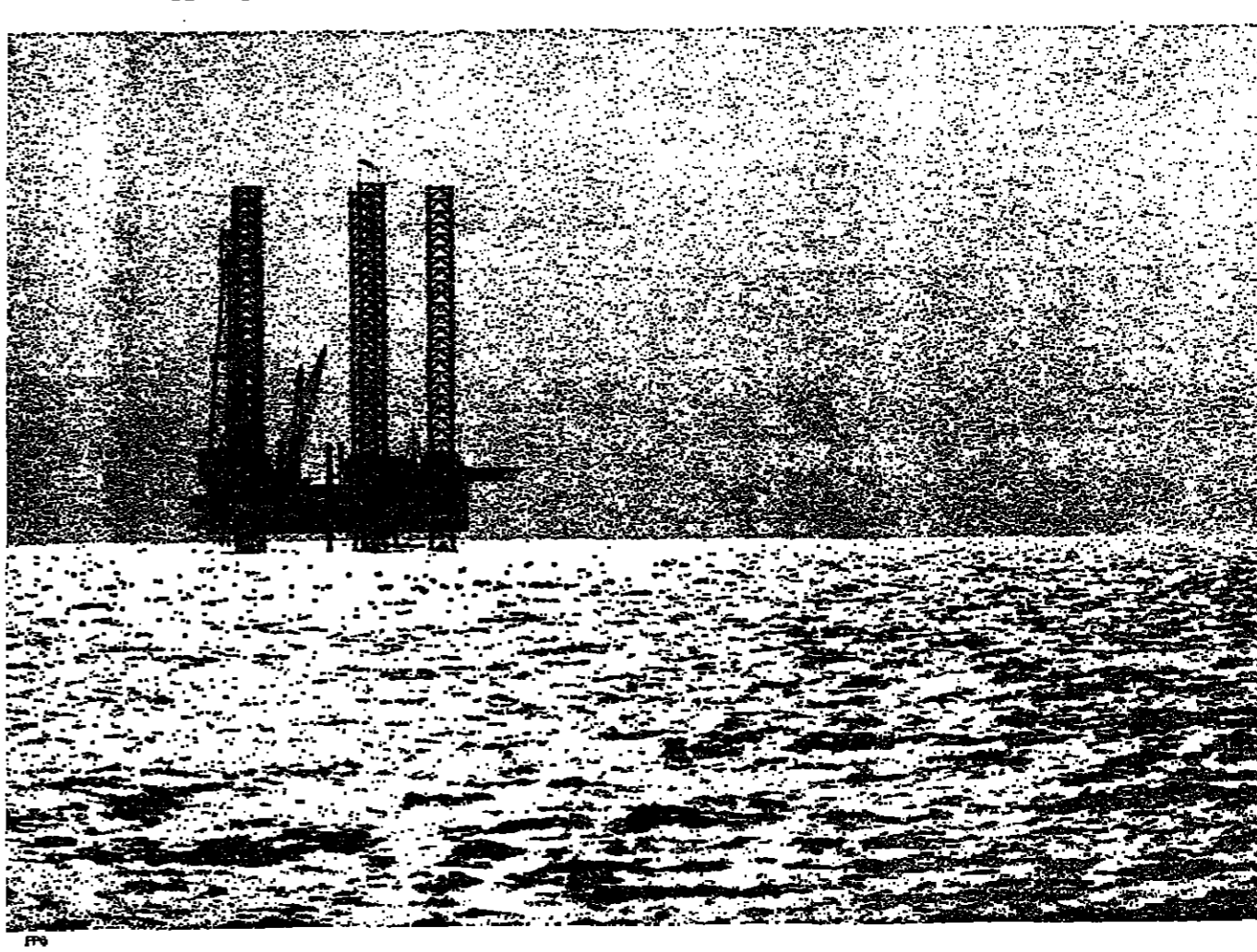
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12
LOMBARD

Backlash against the West

BY JAMES BUXTON

THERE ARE some disturbing lessons for Britain and the other western industrial countries in what is happening in Iran. A wave of strikes leading to big pay increases is causing cutbacks in the development programme. Several enormous schemes now seem doomed, including plans for some nuclear power stations and some lavish military projects. The political turmoil is partly being blamed on economic mismanagement and on a strategy that greatly underestimated the complexities of fast economic growth and put large-scale prestige projects ahead of mundane needs like housing and agriculture.

Misguided

The western countries, which have supplied most of the imports for this misguided strategy, are having to face an outburst of popular feeling in Iran against western goods and against the whole concept of aid and economic development. An influential Iranian banker, spelling this out to a meeting of the Iran-British Chamber of Commerce in Iran recently, said that although he expected Iran's economic relationship with Britain to continue it would develop more slowly; at its lowest, he indicated, it consisted of Britain supplying spare parts for its machinery in Iran and educating Iranians at its universities—not quite what all the British trade missions to Iran over the past five years had in mind.

That may be too pessimistic a view, but the same disenchantment with development could become a political force in some of the other states that have enjoyed fast growth since the 1973/74 oil price rise: for example, the low population Arab oil states on the other side of the Gulf, or the non-oil exporting states like Egypt, Sudan and North Yemen.

In both groups of countries a flood of money has caused potentially disruptive social change. Several of the oil states were relatively underdeveloped before the boom, but now that growth is less hectic their indigenous inhabitants are beginning to resent what they see as waste of resources, as well as

the influx of foreign workers. In the poorer states with bigger populations some of the setbacks in, for example, agricultural projects are starting to breed disillusionment. It is often expressed in the same longing for a return to basic Islamic principles and resentment of the West that can be seen in Iran.

The Western countries get the blame when, as in Iran, things go wrong. Unfortunately they sometimes deserve it. When the priority in the West was the recycling of oil revenues one did not hear much questioning by the industrial countries of the advisability of, for example, Iran or Saudi Arabia going all out to absorb as much income as they could. Even before the oil price rise President Nixon took the decision to allow Iran to buy military weapons that were extremely advanced even by Western standards. Middle East countries often feel they have been "ripped off" by individual Western companies; that they were told what they wanted to hear in feasibility studies; that they have been sold unnecessarily complicated equipment that requires excessive maintenance and often the permanent supervision of costly expatriates; and that in some cases confidence tricksters have been at work.

It is useless for companies to argue that if they had high-mindedly refused to sell some over-complex piece of equipment to a country where it was someone else would have done so instead; or that cost overruns may be due to problems in the developing country itself—like port congestion, weak infrastructure and bureaucratic inefficiency.

Long term

Companies have to bear the standard for the Western countries and there is no easy way they can be certain of avoiding trouble. But they should be more conscious of the need to develop a long-term relationship with the developing country they are in. This means, among other things, promoting projects which are not simply a means of generating work and profit for Western factories, but which are in the long-term interests of the country concerned. Fortunately a good many companies in the Middle East have followed this approach; they should be better able to weather any new backlash against the West.

THE WEEK IN THE COURTS

A losing majority

BY JUSTINIAN

LITIGANTS WHO take their disputes through the gamut of the courts may find that the ultimate winner in fact has acquired fewer judicial votes on his way to the final court of appeal than his unsuccessful opponent. That situation led Lord Scarman, in a recent House of Lords case involving the rights of a worker to compensation for being involuntarily transferred from one employment to another, to express regret at so quirky a result. Although the fault for the division of judicial opinion was laid at the door of the legislature, the existence of dissenting judgments in appeal courts contributed

to the case of *Tuck and others v. National Freight Corporation* is by no means unique. Mr. Justice Donaldson, who heard the case originally in the High Court of appeal from an Industrial Tribunal reversed the decision of that body and found for the workmen; he was upheld by three judges sitting in the Court of Appeal. In the House of Lords two Law Lords said that the Court of Appeal was right, but three others agreed with the Industrial Tribunal, and by the odd vote they won the day. But in the process six judges held a contrary view. The three claimants who sought to be protected against prejudice or loss resulting from an involuntary change of job can feel some sense of grievance at the arithmetic quirk of the appellate process.

On the face of it the occurrence of minority (or dissenting) judgments allowed to judges sitting in the appeal courts seems to undermine the arguments for having a two-tier system of appeals—in this case three appeals if you count the appeal to the single judge from the Industrial Tribunal. So long as a litigant has available only one appeal from the decision of a single judge to a court of three judges, his opponent can never be deprived of his judgment by a minority of judges. If there is a dissenting voice in the appeal court, the most that the winner in the lower court (but loser in the appeal court) can claim is a judicial tie.

It is the existence of the House of Lords that potentially creates the situation whereby a minority of judges can effect a victory for a litigant against the majority of all the judges who have heard the case. And it matters not what the number of the judges in the second appeal court may be. It is the mere existence of dissent at the ultimate stage of the judicial

Disgruntled

Any feature of a legal system that increases the number of disgruntled litigants must be the object of criticism. If a few disgruntled litigants are stoically suppressed for the benefit of the community there is no reason why the burden on the aggrieved individual should not be lightened. The three claimants who had persuaded four lower court judges that they were right, but lost 3-2 in the House of Lords, were ordered to pay the National Freight Corporation their costs both in the Lords and in the lower courts.

Why should not an unsuccessful respondent to an appeal in the House of Lords (particularly if both lower courts unanimously decided in his favour) be relieved of the burden of his ultimate unsuccessful appeal? If, of course, the respondent is legally aided, the problem does not arise. But a non-legally aided respondent should not be obliged to pay substantial costs for the doubtful privilege of being not only pipped at the post but defeated in an arithmetically anomalous manner.

Since in the National Freight Corporation case the fault lay with Parliament in the lax manner of its draftsmanship, the case is overwhelming for the country to bear the costs of exhausting litigation. The courts were asked to give a meaning to the phrase "any worsening of his position" in the context of section 135 of the Transport Act 1968, a section which provides for the payment of compensation to employees who have suffered loss properly attributable to certain events in the reorganisa-

tion of the nationalised transport industry effected by the Act. The statute did not define the phrase, although it had pages of interpretation of simple words like emoluments, officer and office.

The three claimants had for many years been employed by the British Railways Board, then organised in three divisions—railways, freightliner, and rail sundries. None of the three divisions had a separate legal entity. In 1968 it was decided to hive off the Board's road transport activities into two bodies quite separate and distinct. Two new companies, Freightliners Ltd and National Carriers Ltd, were created and in turn were made subsidiaries of a new public authority independent of the Board and called the National Freight Corporation. The problem arose because since the date of the transfer, at the end of 1968, British Rail employees have had more success with their wage settlements than employees of the National Freight Corporation. The two succeeding years Smith established a unique American record by clinching the cup with singles victories. By contrast this will be only the third Davis Cup tie that Cox and David Lloyd have played together.

The weight of history points to the regularity of the massive silver punchbowl was first presented by Dwight Davis in 1900, for annual competition between the nations of the world, the Americans have been successful on 24 occasions and the British have won nine times. Not surprisingly with the special three-day format, for Davis Cup ties—five rubbers with two successive singles in the first and last days with the doubles in between—the successes of all nations have coincided with the career peaks of one or two outstanding individuals. The seven successive U.S. wins between 1920 and 1926 was the era of Big Bill Tilden and Bill Johnston. Their two pre-war wins in 1937 and 1938 were built upon the expertise of Donald Budge and Bobby Riggs. In between these American greats

TENNIS BY JOHN BARRETT

Hutchins' team faces critical three days

THE IMMEDIATE future of the four musketeers of France will turn on the British tennis team on the outcome of three days of Davis Cup matches in the middle of the California desert this week.

For if Paul Hutchins' team of John and David Lloyd, Buster Mottram and Mark Cox can win at least three of the five rubbers against John McEnroe, Brian Gottfried, Stan Smith and Bob Lutz, a wave of enthusiasm for the game within these shores will be released that will make the euphoria that surrounded the recent Wimbledon Cup win pale into insignificance. Of course the Americans will be at a disadvantage. McEnroe and Gottfried, who are expected to play the single berths, are ranked sixth and seventh on the Association of Tennis Professionals' list. Smith and Lutz are the most experienced final-round doubles players America has ever produced and together they scored the cup-winning victory in 1968, 1969 and 1970. Furthermore, in two successive years Smith established a unique American record by clinching the cup with singles victories. By contrast this will be only the third Davis Cup tie that Cox and David Lloyd have played together.

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will his late arrival in Palm Springs—he is expected to arrive tomorrow—help his preparation. In his four appearances for America since 1968, he has won five of his seven matches. The singles berths will be played on Wednesday and Friday. The doubles berths will be played on Thursday and Friday. The American team is not entering the same success this year as it did last year when it reached the final. Neither British man has yet met McEnroe.

Perhaps the biggest influence on the result, which will be decided on the final day, will be the composition of the British team. The composition of the British team is not entering the same success this year as it did last year when it reached the final. Neither British man has yet met McEnroe.

Advantage. It must be to Britain's advantage. McEnroe's impressive 19-year-old record is, with four tournament wins since the U.S. Open in September and nine appearances in the semi-final in successive Grand Prix tournaments, never played and never won the Davis Cup singles. His sole experience of cup competition was a winning doubles with Gottfried in the 3-0 win against Chile last September. McEnroe will find, as everyone does, that the fast speed creates special pressure. Although he might reasonably expect to beat either British man, if this were a tournament, he should not be surprised if one of them defeats him this week. Nor

SOCCER BY TRICOR BAILEY

Best team doesn't always win —as England victory proves

ONE OF football's greatest charms is its unpredictability, which is, of course, why those so-called certain bankers on the used intelligent betting passing in any sport a player, or a team will have an off-day, fail to adapt to the conditions, be unlucky with injury, or find the opposition playing above itself.

However, what makes forecasting the result of a soccer match so much more difficult than, for example, the outcome of a game of tennis, is that the team which has the most skill, creates the most opportunities and is clearly the best side at that time will still not win if it is unable to put the ball into the back of the net, and will lose, if the other side are able to snatch one at the other end.

There were two perfect examples of the more accomplished side coming off second best last week. On Wednesday, Czechoslovakia gave the England 11 a lesson in control, movement of the ball, accurate passing and style, but ended up losing 1-0; while on Saturday Liverpool suffered the same fate at Highbury, when they lost by the identical score.

There were several remarkable similarities in these two games. By half-time at Wembley, Czechoslovakia deserved to be leading by at least two, probably three goals. They had not only elegantly carved their way through a plainly bewildered defence, but also fired in a number of shots which would have produced goals, if Shilton had not brought off a series of remarkable saves, including two which were truly sensational. After the interval, England did become more positive and then the Czech keeper failed to gather a fierce drive to the near post from Currie as he cut in from the right wing following an overcut with the left foot, but a promising, Anderson and the loose ball was bungled into the net.

Arsenal's most effective half-back was the Czech, who was also in the inside left position of a four-man half back line, assuming one considered Bix as a member of that quarter rather than as a winger. Brady, a young Irishman, has enormous talent, was far cleverer and displayed considerably more imagination than any of the class Liverpool halves. He has everything required to become a great player, providing his self-control can match his ball control.

Dependent. The game had hardly started when Brady became needlessly embroiled in an incident in which he was not even involved. Later having been quite fairly robbed, he managed to tread painfully on the tacker's leg, carried on a running feud with both Souths and Case for the whole of the afternoon and was lucky to receive only a yellow card. For a lightly built player with exceptional skill, Brady needs and still expects protection from the referee, but if he continues to play as he did against Liverpool he must be in danger of either being sent off or being deliberately done by an opposing "hatchet man", and at the moment he is simply a liability, trouble, which is both stupid and a pity.

In the early and more critical days of Leeds United, when they were fighting their way off literally to the top, one can think of no more painful of a team who would have automatically have destroyed Brady in the opening five minutes. This would, of course, automatically have had a bad effect on Arsenal, who depend much more on Brady than we do when they lost the FA Cup after he had had a poor game. The Gunners are close to becoming one of the best teams in the history of the game, but if Brady does not keep out of trouble, they could well not make it.

RACING BY DOMINIC WIGAN

Farmers Choice should score

JOHN FRANCIS, a 2-1 handicap, has settled in well since making his last appearance in the following Monday. The first of 121 a head includes return of the famous "Heathrow-Nice" three-year-old, who was sent to the Racedeers' Club's winter newsletter, by getting that it has taken over the annual Racehorse of the Year award. Given the fact that the Racedeers' Club, whose member voucher book for 1974 contains vouchers for a total of 100,000, is now in its 300th year, it is still in search of new members to keep the club strong and active. In an effort to attract new members, the club will be offering a special prize will be awarded to the horse most favoured by club members should their view differ from the panel's. The newsletter also gives details of the Racedeers' Club's

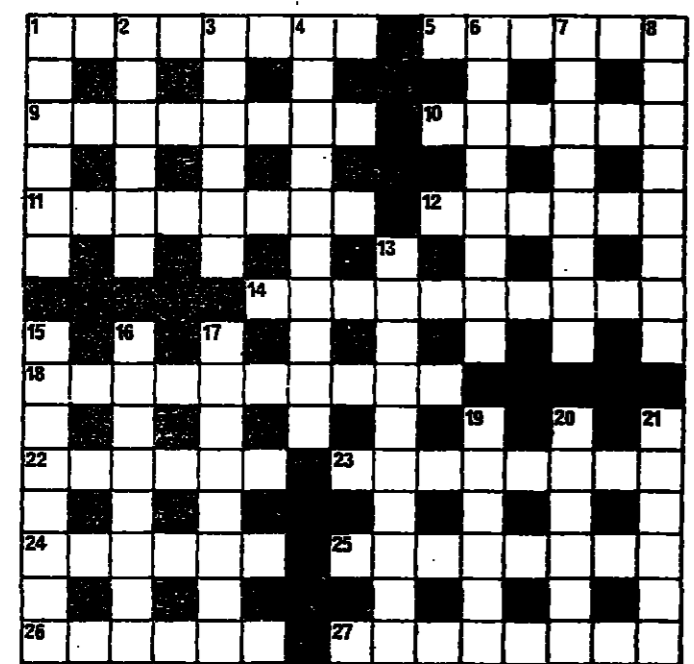
visit to Cagnes-sur-Mer, leaving on February 23 and returning the following Monday. The first of 121 a head includes return of the famous "Heathrow-Nice" three-year-old, who was sent to the Racedeers' Club's winter newsletter, by getting that it has taken over the annual Racehorse of the Year award. Given the fact that the Racedeers' Club, whose member voucher book for 1974 contains vouchers for a total of 100,000, is now in its 300th year, it is still in search of new members to keep the club strong and active. In an effort to attract new members, the club will be offering a special prize will be awarded to the horse most favoured by club members should their view differ from the panel's. The newsletter also gives details of the Racedeers' Club's

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BBC 1
12.45 pm News. 1.00 Pepple Mill. 1.45 The Plumps. 2.15 Songs of Praise. 3.35 Regional News for England (except London). 3.55 Pity School. 4.20 Fashions. 4.45 Jackanory. 4.40 C. B. News. 5.00 John Craven's Newsround. 5.05 Blue Peter. 5.35 Ludwig. 5.50 News. 5.55 Nationwide (London and South-East). 6.20 Nationwide: The West End Theatre Awards. 7.20 Tycoon. 8.10 Panorama. 9.00 News. 9.25 The Monday Film: "Lawman Without a Gun." 11.00 Tonight. 11.40 Weather Regional News. All Regions (BBC 1) except at the following times: Wales—1.45-2.00 pm Pili Pili. 4.30-5.00 Duwiau ac Anrhy. 5.55.

F.T. CROSSWORD PUZZLE No. 3.839



- ACROSS**
- Projections for a foreigner in the streets (8)
 - County group follow the returning staff (6)
 - Can return among men as fatters (8)
 - Close of play is haffing (6)
 - So either may result in speculations (8)
 - Dickens character is in need of little (6)
 - Urchin gives way to the horse (8)
 - are more than coronets (Tennison) (4, 6)
 - An advantage in North America causes sickness (10)
 - Shrub recalls Hero's address to her lover (6)
 - Lamb goes round the ship to find Dido (6)
 - The man who gave us wartime shelter (8)
 - Henrietta pass in turn a short reply (6)
 - The old king's concerned about riding breeches (8)
- DOWN**
- Is found in identical fabric (6)
 - Bird is a hindrance round the hotel (6)
 - Call for a replay (6)
 - He may win, but he does not get the girl (3, 4, 3)
 - Milk collections in remote settlements (8)
 - Gloomy or backward headgear (8)
 - The latest conception—public transport to the match (4-4)
 - "Nor for the — that walketh in darkness" (O.T.) (10)
 - Superficial like beauty (4-4)
 - In the finish the old city is constant (8)
 - Good health getting on—that is encouraging (6, 2)
 - A warning to the prospective purchaser (6)
 - Call to the faithful from Rome (6)
 - They raise birds with long legs (6)
- The solution of last Saturday's prize puzzle will be published with names of winners next Saturday.

BBC Radio New Wavelengths

- 100kHz/250m 100kHz/250m
- 100kHz/250m 100kHz/250m
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RADIO 1

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FINANCIAL TIMES

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Monday December 4 1978

Soviet power is limited

ROMANIA has been developing its own independent foreign policy for the past 15 years. There is little doubt that taking a different line from the Russians and showing the flag around the world has touched a responsive nationalist chord. There have also been occasions when Romania's insistence for example on maintaining diplomatic links with Israel has given the Soviet Union a useful auxiliary channel of information and communication in the Middle East. President Ceausescu's willingness to act as "honest broker" in the conflict between Vietnam and Cambodia and in other areas has been appreciated.

Publicity

Three times this year, however, Romania has taken an independent line which has brought it into direct confrontation with the views and susceptibilities of the Soviet Union. Romania opposed Soviet-inspired moves to achieve a more integrated decision-making structure in Comecon, then provoked criticism by inviting the Chinese Premier Hua Kuo-Feng. Finally last week it stood out against higher military budgets within the Warsaw Pact and declined to criticise China.

What is more, President Ceausescu went out of his way to seek maximum publicity and public support for his independent policy on his return to Bucharest and in last Friday's keynote speech, in which he floated the idea of a de-militarised buffer zone in Europe.

This indicates that domestic considerations are playing an important part in Mr. Ceausescu's calculations. The Romanian leadership has, after all, a lengthy experience of justifying repressive policies at home as the price to be paid for independence abroad. But there have been signs of popular discontent with the cult of personality, the sycophantic press and radio and, above all, the continuous belt-tightening which has accompanied the drive for rapid industrialisation. The defection of a high ranking secret police officer, the sacking of high party officials for corruption, strikes by coal miners and the pressure for freer travel and

higher living standards all point to considerable domestic difficulties.

Mr. Ceausescu's rejection of the need for higher defence spending was motivated in part by the negative effects this would have on an already strained economy. But Romania is not the only country in the Warsaw Pact which would dearly like to concentrate its resources on meeting pressing balance of payments problems and raising living standards rather than bolstering the Soviet Union's great power policies. Furthermore, although Romania is in some ways the most openly nationalist country in the East bloc nationalism is alive and well throughout Eastern Europe, as it is indeed within the multi-national Soviet Union itself. In this context the latest Romanian move represents another serious challenge to the hegemony which the Soviet Union has imposed on this part of the world since the end of the war.

Long frontier

How will the Soviets react? In military terms Romania cannot be defended. It is surrounded by other Warsaw Pact countries, except for its border with Yugoslavia. This might well prove a blessing in disguise. The invasion of Czechoslovakia took place, at least partially, because it did have a long frontier with West Germany. As for economic sanctions, these could be applied and could aggravate the country's economic problems. Romanian trade with the Soviet Union itself has steadily declined in relative terms over the last 15 years but trade with Comecon as a whole still accounts for 40 per cent of Romania's overall trade.

In the long run, however, neither military intervention nor economic sanctions would solve the basic political problems involved in maintaining Soviet hegemony in an Eastern Europe where ideology is on the decline, where nationalism and a desire for higher living standards is strong and where Soviet leadership is acknowledged with increasing reluctance. For the Soviet Union the problem is likely to get worse rather than better.

Cheap housing costs money

THE NEW scheme of financial assistance for first-time house buyers which the Government launched last week is comparatively modest in scope. But it has been widely criticised as being both needlessly complicated and uncertain in its effect.

The general idea is that people who regularly save for a house with a building society or bank and who hold a minimum of £300 after one year and at least £600 after two years should qualify for a tax-free bonus and a five-year interest-free loan. At the top of the scale, the bonus would be worth £110 and the loan £800. But the Government wants to limit the scheme to purchasers of cheaper houses and will not announce definite figures for qualifying house prices until 1980 when the first loans and bonuses become due. In any case, the payments will be made only when a house has been purchased and there is no guarantee that savers will obtain a mortgage. On the one hand, it has been said that the scheme will have only a limited impact. On the other, it proves a considerable success, first-time house buyers will have more cash available and house prices will be pushed up.

Choice

The more fundamental question, however, is whether such a scheme is needed at all. The desire to own one's own home—and the sense of security and freedom which home ownership confers—is so deeply embedded that further encouragement seems unnecessary. Already, just over half of all households own their own home, as against only one in ten 60 years ago and less than one in three 30 years ago, and the majority of those that do not actively aspire to it. Perhaps the clearest evidence of this was to be found in the results of the consumer survey commissioned by a National Economic Development Council study group housing a year or so ago. The survey showed that owner-occupation was the preferred choice of a preponderant proportion of all age groups, save only for the 55 age group and above. In that Dutch auction of subsidy category the replies partly

reflected choice and partly a reluctance to move house which a change of tenure would involve.

The cost of the new scheme may be relatively modest—about £100m a year after the initial two-year waiting period has passed, according to Ministerial estimates last week. But it will represent a further addition to the very considerable national housing subsidy bill. This is now running at rather more than £2bn a year, counting mortgage tax relief for home buyers as well as housing subsidies, rent rebates and allowances for local authority and private tenants but not including the further unquantified subsidies which rent controls effectively oblige private landlords to give to their tenants.

Staggered

The distribution of these sums is related neither to income nor social need but to chance. Their effect has been to inflate housing demand and to encourage under-occupation. Together with 60 or more years of rent legislation, they have hastened—if indeed not caused—the near-demise of the private rented housing sector and so exacerbated the problems of the housing survey areas and the provision of suitable accommodation for the mobile, the childless, the poor, the elderly, and the single (with or without children).

One can understand politicians being wary of the disturbance to household spending patterns which even a staggered move towards pricing for housing—with help going only to categories of real only one in ten 60 years ago and less than one in three 30 years ago, and the majority of those that do not actively aspire to it. Perhaps the clearest evidence of this was to be found in the results of the consumer survey commissioned by a National Economic Development Council study group housing a year or so ago. The survey showed that owner-occupation was the preferred choice of a preponderant proportion of all age groups, save only for the 55 age group and above. In that Dutch auction of subsidy category the replies partly

BRITAIN'S POWER PLANT MAKERS

United they stand but divided they fight



Sir Arnold Weinstock

THE power plant manufacturers of the European continent received a present from the British Government two years ago. Nicely bound in red, it was a 100-page document named "The Future of the United Kingdom Power Plant Manufacturing Industry." It was written by the Central Policy Review Staff (the Government's Think-Tank). Not quite a present there was a nominal charge of £2.50.

"Worth thousands of pounds," was the ecstatic verdict of the publicity department of Brown Boveri, the Swiss turbine generator company which dominates the world market. Boveri should know, say disgruntled UK rivals: it quotes extensively from the document in its export promotions.

A few examples: "All major producing countries with the exception of the United Kingdom (report's emphasis) have installed 1,000 MW (turbine generator) units and have either installed or ordered 1,300 MW units. . . . All of the major manufacturers, except the British, have a significant experience in carrying out turnkey projects. . . . lack of a strong established turbine capability, no home business on a turnkey basis, and an unwillingness to commit the necessary financial resources in this field have so far excluded British manufacturers from many opportunities available to foreign contractors."

This piece of recent history is worth recording, for it is repeating itself. Last month, the Prime Minister asked the CPRS to enquire once more into the power plant industry, and to report to the Cabinet. For the manufacturers, the first examination was a tragedy: will the second one be a farce?

It may, at least, not be another tragedy. The report will be a limited one, concerned with the relative technical merits of two different types of 660 megawatt turbine generators (though there is rather more to it than that); and the think tank will probably report to the Cabinet in confidence (though this has not been decided, and in any case reports of this kind tend to leak out piecemeal sooner or later).

Yet whatever the safeguards against widely-broadcast criticism, the industry is now—after its previous experiences—determined not to present any other side of the coin. Unfortunately, this desire conflicts with the realities of commercial life: they are—especially for the turbine makers—intensively, even bitterly competitive.

No industry can present an entirely convincing image of success while its members are scrapping and throwing mud at each other, at their domestic client, the Central Electricity

Generating Board, and at the Government. Add to this the fact that the question of mergers is still unresolved, indeed, deliberately kept open, and it is clear that the desired image of confidence hardly stands scrutiny.

Two series of events have brought the latent rivalries boiling to the surface—the award of the Drax "B" contracts, and the invitations to tender for the advanced gas-cooled reactor nuclear stations at Heysham (under the control of the CEBG) and Torness (under the control of the South of Scotland Electricity Board).

Drax "B" was born in conflict. The Government forced the CEBG to bring forward the ordering of the station by around 18 months in order to provide work for the severely depressed power plant industry. The Government is to pay a maximum of £50m for this exercise of authority to cover the extra interest charges incurred by the Board. This, too, resulted only after lengthy argument.

From an early stage it was known that the bulk of the turbine generator work would go to C.A. Parsons, the general division of Northern Engineering Industries. The Government wished it because Parsons had little work; the CEBG wished it because Parsons had supplied the turbines for Drax "A" and, on engineering grounds, it wanted compatibility. But this did not prevent GEC from putting in a rival bid for the three turbines days before the Parsons award was announced. At £38m, the GEC bid was around £20m less than the Parsons price.

The Board rapidly rejected the offer; but Sir Arnold Weinstock, GEC's managing director, had made his point: he could beat Parsons on price.

The bidders were scarcely less acerbic. Babcock and Wilcox emerged early as the favoured manufacturer. Work on the flues and ducts,

TOTAL NUMBER OF TURBINES OF 500mw AND ABOVE MADE OR BEING MANUFACTURED BY PARSONS & GEC

No. of exhaust flows	In Service			In Manufacture			Total
	Four	Six	Eight	Four	Six	Eight	
Parsons	9	41	2	1	14	0	67
GEC	6	22	4	14	13	0	59
Of which, for export:							
No. of exhaust flows	In Service			In Manufacture			Total
	Four	Six	Eight	Four	Six	Eight	
Parsons	9	8	1	1	6	0	15
GEC	0	0	0	0	0	0	0
Total export capacity (MW)							
Parsons	4,500	5,340	500	500	3,520	0	14,380
GEC	2,600	0	0	6,050	3,600	0	12,250

Source: Industry Agents



Sir James Woodeson

worth around £10m, was to be sub-contracted to NEI-Clarke Chapman. But in the first part of this year, talks were going on between the two boiler makers about a possible merger. These talks were formally broken off in July, and there seemed to be some bitterness in the aftermath: Babcock let it be known that the flue and duct work might be let elsewhere.

"The work is the type which could be done by any one of half a dozen manufacturers," said Mr. Tom Carille, Babcock's deputy chairman, at the time. "We are horse trading with the number of manufacturers on the price, and there might be a change of plan at the conclusion of these talks."

In the event, all was tidied into a deal which was much the same as it was supposed to be. Babcock won the boiler work, sub-contracting to NEI Clarke Chapman. NEI Parsons took the turbines, with a sub-contract to GEC. The fuss died away only to start again in time for the tendering for the next phase of nuclear power stations—the two Advanced Gas-Cooled Reactors (AGRs). The four turbines will be worth between £120m-£140m.

Murky ground

This is still murky ground. While much has been written, over the past month, on AGR orders, and especially on the turbine tenders, a sudden silence has fallen over the industry. This is not by chance: Sir Arnold Weinstock, the most powerful man in the industry, has expressed his displeasure at the public washing of dirty linen, and the official word from GEC is that "the company declines to comment because the matter is of such technical complexity that it cannot be properly decided by a debate in the Press. In this stance he is buttressed by the CEBG, which agrees that no news is good

news, and that, as Mr. Dennis Lomer, the forceful Board member for construction put it—"there is no debate, there is no argument. We are waiting for tenders."

The news that the CPRS was to investigate the matter of turbines has also put a kind of "sub judice" seal on the debate. Despite the apprehension of much of the industry over further CPRS involvement, this has been another notable achievement by Sir Arnold. At a meeting with the Prime Minister last month, at which Sir Kenneth Berrill, head of the CPRS, was present—Sir Arnold managed to convince a rather reluctant Mr. Callaghan to call in the think tank, as a more fitting forum for debate than the Press.

But there has been debate. The matter is a difficult one to summarise because one side of it, GEC, will not participate. As far as can be determined, the main points are these:

● The choice of system lies between a "four-exhaust" or "six-exhaust 660 MW turbine. At present, GEC makes both four- and six-flow systems though, as the figures above show, it is the four-flow which leads in export markets. "Parsons, on the other side, is much stronger in the six-flow. The CEBG has put out contracts for competitive tender for both systems to both companies.

● The technical arguments centre on the efficiency of the turbines expressed in "leaving loss," that is, the kinetic energy of the steam after it has left the final turbine wheel. In a six-exhaust system, leaving loss is claimed to be around 2 per cent, or 13 MW, against a loss of 4.5 per cent, or 30 MW, from a four-exhaust turbine.

● The above point must be carried a stage further when export markets are taken into consideration. The six-exhaust turbine, which is significantly more expensive than the four-exhaust system, does not, it is claimed, offer the same rela-

tively high marginal savings on running costs in those countries where the cooling water used is at a higher temperature than that used in the UK.

The conclusion then seems to be that while Parsons currently has a design for a six-exhaust turbine, which is reliably reported to be favoured by both the CEBG and the SSEB (they have already said as much to the think tank researchers), but which is apparently less attractive on export markets, GEC has a four-exhaust system which has already achieved substantial export orders and which is cheaper but less attractive than the six-exhaust to the domestic client.

Sitting pretty

Parsons believes it is sitting pretty, and needs merely to wait for the order to fall into its lap—though the CPRS enquiry has shaken its confidence. GEC has appeared to be on the defensive, but has won back some ground. Its pressure has been responsible for putting back the deadline for tenders on the turbine to January of next year, and GEC is thought to be considering tendering for a six-exhaust system in direct competition to NEI.

On the boiler side, the CEBG has already made it clear to NEI-Clarke Chapman that it is the preferred supplier, quite simply because it has an available design for 660MW AGR boilers, and Babcock does not. "Babcock" has an available design for 660MW coal-fired boilers, but the CEBG does not. The boiler contract is worth around £20m.

However, in this case, the bitterness which exists between the turbine manufacturers is Government and CEBG fall not duplicated. Last week at a lecture given by Sir Francis Tombs, chairman of the Electricity Council, to the Institution of Mechanical Engineers, will continue to receive

three men sat amiably together on one side of the hall—Sir James Woodeson, chairman of NEI; Mr. R. H. Campbell, managing director of Babcock Power Plant, and Mr. Fred Bonner, deputy chairman of the CEBG. The grouping was symbolic: the two boiler makers, while not formally negotiating on a merger, are informally talking again, and the CEBG is encouraging them to do so.

The Board's concrete demonstration of encouragement is that it is insisting that the boiler makers share their technologies. Clarke Chapman teaching Babcock the tricks of the nuclear trade, while the latter reciprocates in coal technology. Thus Babcock will participate in the AGR boiler orders, though the intention is to give the lion's share to Clarke Chapman.

The manufacturers thus go forward into the next period of the nuclear age, still in some uncertainty, but arguably in a potentially better shape than when the CPRS last had them in its sights. It is essential that they should be. In the first place, the CEBG is determined to see Heysham and Torness as the first "standard" stations, incorporating the lessons learned at Hunterston and Hinkley B and capable of duplication by other future AGRs. That means, of course, that it is imperative (a) that Babcock and Clarke Chapman do share technologies if Babcock is to play a major role in AGR boiler-making and (b) that GEC and Parsons both establish strong claims for their ability to supply acceptable turbines. The honours, for the moment, are all with Parsons. It has supplied six-flow turbines for all five AGR stations built or under construction.

In the second place, the export market gets no easier. Both the Government and the CEBG still believe that the UK can compete internationally only if it markets its power plants under the banner of "UK Ltd." (an approach which is being striven for in sector after sector). While it is true that since the last CPRS report the country now has in NEI an integrated power plant manufacturer capable of offering turnkey nuclear power stations, it is also true that the preferred supplier, quite simply because it has an available design for 660MW AGR boilers, and Babcock does not. "Babcock" has an available design for 660MW coal-fired boilers, but the CEBG does not. The boiler contract is worth around £20m.

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MEN AND MATTERS

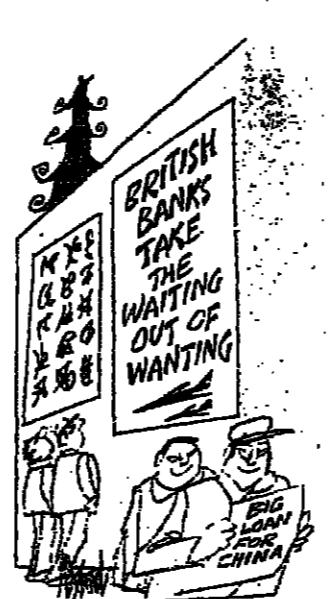
Tuning up the instruments

Fresh from Friday's lunch for Richard Nixon the Hyde Park Hotel is spending the next three days hosting the Trilateral Commission. But when I mentioned in whose footsteps the Commission was to some extent treading, its European Secretary, Hanns Maull, was quick to stress that Kisinger might be a member but Nixon was not. On the contrary, he told me, the Commission's formation had been triggered off by the unilateral economic measures taken by Nixon in 1971.

Eventually founded in 1973 the Commission has been remarkably successful with its membership. Its first director and co-founder was Zbigniew Brzezinski and its erstwhile members—erstwhile because they retire on taking office—include Carter, Mondale, Vance and four other members of the Carter cabinet. In Western Europe, the French prime minister, Raymond Barre, and West German minister of economy, Count Otto Lambsdorff were members, as were two senior members of the Fukuda administration in Japan.

North America, West Europe and Japan are the three sides from which the Commission's name is derived. A sort of political Rotary Club? I asked, but Maull was quick to reject this and to bring in another trinity: "No, more serious, a combination of a think tank, a club and an international group of persuasion." He thought a pressure group would not be the correct term since the Commission relies mainly on its members to act as what he calls the "transmission belt" for the ideas agreed on.

Maull told me that about one-half of the Commission's annual \$800,000 budget came from foundations, 35 per cent from industry, 10 per cent from governments including the British Government and 5 per



cent from trades unions. Two nationalised British industries subscribe to its funds while among the British members are the chairmen of Barclays and Dunlop and deputy chairmen of the British Steel Corporation and Rio Tinto Zinc.

"We would like members from the TUC," Maull said, agreeing that the Commission was wooing the unions.

The basic philosophy of the Commission is "the acceptance of the free enterprise economy and the need to reshape the economic order," Maull says, adding that it is "basically reformist not revolutionary, but it is not conservative in the sense of hanging on to the status quo."

I asked Maull about one description of the Commission as a "debating forum within a consensus which is taken for granted by most of its members but which others would think is complacent and controversial." He stressed the pluralism and the "free and outspoken debate" which could be heard, not least when the Commission considered the issue of bribery. And he said he would be sur-

prised if all its members agreed that the U.S. had always been a benign and beneficial influence.

Indeed now he suggested that consultation between industrial countries was needed if the U.S. was no longer to play a shaping role. "Instead of a one-man hand with some background music you have three or four instruments on the same level."

That these instruments should play with others seems to be taken for granted by Maull. He sees some progress, though not enough, in the North-South dialogue since Carter replaced Ford. But the Commission is inevitably looking East-West too. What Maull called the "conflictual aspects" of East-West relations is one matter under study, but there was little trace of the cold war in his next remark: "If you take seriously the idea of global management of problems then in the long run you have to draw the socialist countries in."

Family affair

The board of Barton Transport is made up of Messrs M. Barton, K. M. Barton, P. A. Barton, T. H. Barton, P. S. Barton and J. E. Barton. As you might expect they are standing firm against intruders, refusing to support a would-be fresh director—A. Barton.

Meaning well

Crossword and Scrabble addicts have only themselves to blame if the O-Shz, Volume 3, supplement to the Oxford English Dictionary is a little later off the presses than its deadline of midnight, December 31, 1980. Its chief editor, Robert Burchfield, tells me he is plagued by word-game enthusiasts arguing for the validity of words overloaded with O's and X's, or for the inclusion of what Burchfield calls "crippled" words. That is how he classifies chemical combinations but he says tartly:

"We are interested only in real words."

Much more sinister, in his view, are the pressure groups with which he has to deal. He dismisses as a publicity stunt the attempt by one shirt manufacturer to have "shirty" removed on the grounds that connotations of ill temper were damaging the shirt industry.

He is more disturbed by attempts to have the unfattering definitions of "Jew" and "street Arab" excised. He seems little impressed by claims that such definitions disturb the peace: "The point of pressure used in sex words. That's all over now. Every dictionary includes them. But immediately that kind of pressure has been replaced by pressure on racial grounds. It's something that really grabs at people's throats."

Apparently, so far every dictionary house apart from one in the U.S. has resisted. "It's quite clear that once you start that game of removing words there's no stopping it," claims Burchfield, who also has to run the sainted pressures from India and Pakistan over to which country Kashmir belongs, and there have been arguments over the origin of the word "Pakistan" itself.

Was it based on the word meaning "pure" or was it made up? "Not only did we say it was made up, we proved it." Then there are the holders of trade marks like Biffo who are anxious that the capital letter should remain. Burchfield's major defeat, he says, was after 15 years' resistance having to accept the Milk Marketing Board's word "pinta": "A horrible, useless word, but it's in the language now, unfortunately."

Pound foolish

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Observer



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Monday December 4 1978

Europe

The EEC is preparing to make major decisions about enlarging its membership. This 16 page Financial Times Survey looks at the major issues facing Europe including the debate over monetary union and the likely impact of next year's elections for the European Parliament.

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Leaping in the dark

By Reginald Dale
European Editor

AFTER YEARS of marking time—some would say slipping backwards—the European Community is girding itself for a new leap forward. It will be a leap, or perhaps more accurately a series of leaps, in the dark. Expert opinion is deeply divided over whether, and if so how, the new European Monetary System (EMS), due to be launched by Heads of Government in Brussels this week, will work. Equally unknown are the implications for the Community's development of the first direct elections to the European Parliament next June and the admission of three new members—Greece, Portugal and Spain—in two to three years time.

Integration, they would say, best flourishes in periods of prosperity like the 1980s. Record unemployment, divergent economies and slow growth rates are not the basis for building a monetary union, the argument goes. Like the "economists" of the early 1970s, critics of the EMS maintain that it puts the monetary cart before the economic horse.

Both President Valéry Giscard d'Estaing of France and Chancellor Helmut Schmidt of West Germany, the men behind the EMS, have turned a deaf ear to such arguments. Technicians who argue that the scheme will not work or that it will have unpalatable consequences have been told that the decision is not technical but political.

Advocates of the scheme in Bonn would go even further and claim: (1) that politicians had to take the initiative because nothing would ever be done if economic and monetary integration were left to the experts and (2) that if nothing were done the Community would start to disintegrate. Turning the argument on its head they would say that it is precisely because economic circumstances are so difficult that action must be taken to stop the rot.

For M. Giscard d'Estaing, failure would be embarrassing. He has already suffered the humiliation of twice taking the franc into the European currency "snake," the second time against the advice of his experts, only to be forced to withdraw. A third setback would be used by his political opponents in France as further evidence of bad judgment. They are already castigating his Government's controversial economic policies.

For Mr. Callaghan, of course, the problem is rather different. The EMS is anathema to the Labour Party's Left, and to anti-Marketisers in general, who see it as a fresh threat to British sovereignty.

The Prime Minister is torn in two directions. He does not want a major new row inside the Labour Party; nor does he want to lose his seat at the Community's top table. He has made it clear that he is determined not to accept some kind of second-class status for Britain in relation to its fully participating partners.

Britain is not alone in its doubts. Both the Italian and Irish Governments have gone through considerable heart-searching on the details of the scheme's operation, even if they favour the idea in principle. Even in the Netherlands, a full participant in the European currency "snake," concern has been expressed over what might happen if EMS fails. Several Dutch officials are afraid that collapse of the EMS might lead to the breakdown of the "snake" in its aftermath.

It is hardly surprising that the joint initiative by Paris and Bonn on EMS has been interpreted as confirming the emergence of a Franco-German axis. It is true that with Britain opting out of a constructive European role, France and Germany have the field to themselves as by far the two most powerful Community countries.

Both Herr Schmidt and President Giscard d'Estaing are fully aware that entente between their two countries is a fundamental prerequisite for the further European integration that they both seek. In recent years, too, the Bonn Ministry of Agriculture has come almost to equal Paris as a defender of the Community's largest single common policy, the Common Agricultural Policy.

Yet the greatest threat to the Tokyo Round of international trade talks, now in their final phase in Geneva, should be successfully concluded. Failure could plunge the world, and the Community, back into an era of protectionist beggar-my-neighbour policies and undermine the basic rules of the international trading system.

On direct elections to the European Parliament, M. Giscard d'Estaing's position has much more in common with Mr. Callaghan's than with Herr Schmidt's. Bonn, along with most other EEC capitals, is fairly serious in its hopes that the first poll in June next year, will mark the start of a process which will turn the Parliament into a genuinely democratic body capable of superseding the

activities of the Community's other institutions, and the formation of EEC policies, in a way that national Parliaments cannot. Simultaneous European-wide elections, in the view of the Parliament's supporters, should in themselves awaken new interest in Community issues and give a fresh boost to European integration.

Arguments

On this issue President Giscard d'Estaing, a "European" at heart, has run into the sort of domestic arguments about national sovereignty that are so familiar to British politicians. Tough nationalist opposition from hard-line Gaullists and the Communists has forced him to give an undertaking that direct elections will not lead to increased powers for the Parliament. Mr. Callaghan has made similar commitments in an attempt to allay the misgivings of British anti-Marketisers.

Nevertheless, it is difficult to see the newly elected Euro-MPs meekly accepting this when they take their seats in Strasbourg. Unlike current European Parliament members, most of them will not be members of their national Parliaments. They will almost certainly want to meet more often than the present Parliament's one week a month, and they will want to justify their existence to their electorates by making an impact on Community decision-making. They will exploit their

new democratic credentials to the full. Sooner or later the new Parliament is likely to find itself in a major constitutional struggle with the Council of Ministers. An early source of discord could well be the inter-governmental agreement obliging European MPs to divide their time between Strasbourg, Luxembourg and Brussels—once a cause of widespread resentment. The council could well find itself seriously split in a clash of this nature.

For this reason—and because of the Community's imminent enlargement to include Greece, Portugal and Spain—it may be hard for the member governments to avoid a serious new debate on the Community's institutional structure in the not-too-distant future. Many people in the British Labour Party hope that the next round of enlargement will so dilute the Community as to remove all traces of federal pretensions once and for all.

The smaller member States, on the other hand, would like to use the opportunity to improve and strengthen the institutions by making them more genuinely supranational. They see the extension of the Community to 12 members as reinforcing the case, for example, for greater use of majority voting in the council and correspondingly less use of the national veto. Here, too, one would expect such demands to be most strongly resisted by a Franco-British axis.

optimistic that they will get their way. They are particularly alarmed by any suggestion of a big-power directorate proposed by General de Gaulle in his closing days at the Elysee in 1969.

The original proposal has evolved since then. One version with which President Giscard d'Estaing has toyed is a supervisory body on the lines of the UN Security Council, with some permanent and some rotating members. The fear of the Benelux countries in particular is that the unwieldiness of the enlarged and diffusely Community will give new impetus to such thoughts in the senior capitals.

The Nine have not yet grasped the institutional nettle. President Giscard d'Estaing has reaffirmed that what he wants is a "confederal" Europe, without being very clear about what that means in practice. In December 1969 in The Hague, the Six undertook to "strengthen and deepen" the Community before admitting Britain and the other candidate countries. Apart from rushing through the unbalanced common fisheries policy that is causing so much trouble today, they did not really do so.

This time, if the EMS works, the Community will be "strengthened" before enlargement—although nobody has yet given much thought as to what the relationship of the new members should be to the system. "Deepening" in the sense of reinforcing the institutions, is likely to prove as difficult as ever.

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ENLARGEMENT

Guy de Jonquieres

Common Market Correspondent

THE EEC is now set on an apparently inexorable course towards its next enlargement. Formal negotiations with Greece on its membership application are now approaching a conclusion, and it is likely to be admitted at the start of 1981. Negotiations with Portugal began last October, and similar talks with Spain are expected to start by next autumn, following the publication of its formal opinion of Madrid's application.

The nine present members of the EEC have warmly welcomed the applications on political grounds, though none of them has sought to minimise the practical difficulties which they are certain to create. It is generally acknowledged that the Community, which has done much to foster an image as a bulwark of political stability, democratic principles, respect for human rights and the rule of law, has a compelling obligation to respond positively to approaches by three neighbouring countries which have only recently emerged from dictatorial rule.

Not to have welcomed the membership requests could have had profound repercussions inside the candidate countries, straining their political and social fabric and perhaps undermining their freely elected governments. Such concerns weigh particularly heavily with Britain and West Germany, which believe that the Community has a valuable role to play in underpinning western security and cementing the cohesion of the NATO alliance.

On the other hand, however, the Nine remain even at this advanced stage unsure and divided about exactly how to fulfil the commitments which they have taken on. There is still no real consensus on how the prospective members should be fitted into existing EEC structures, and even less on the broad policy objectives which a 12-member Community should set itself. Many of the six

original EEC countries already believe that it has worked less well since it was last enlarged in 1973 and fear that further enlargement will aggravate existing problems. But there has been no agreement so far on what should be done to correct them.

The difficulties are compounded by the fact that the applicant countries are economically less well developed than most existing EEC countries. Despite unusually rapid growth rates over the past 15 years, their aggregate gross domestic product per head is significantly below the present Community average, though the size of the gap differs markedly from country to country. It is slimmest in the case of Spain and widest in the case of Portugal, whose per capita GNP is less than half the EEC average and barely two-thirds that of Ireland, the least developed member of the Common Market.

Agriculture

Enlargement would double the number of people employed in agriculture in the EEC to about 10m but would increase overall production by little more than 20 per cent, reducing the generally low level of efficiency and structural inadequacies of the candidate countries. A good deal of production, moreover, is concentrated in sectors like wine, citrus and olive oil, where Mediterranean producers in the existing EEC are already facing problems.

French and Italian farmers are afraid that competition from producers enjoying substantially lower costs, especially in Spain, would add to their present difficulties, and their concern is shared by their national governments. Italy is pressing for substantial EEC investment to make its southern agriculture more efficient, and more generous support for Mediterranean products, while France has talked of setting minimum prices for intra-EEC farm trade. It is no secret that the UK supports enlargement strongly partly because it believes that it would hasten the demise of the hated Common Agricultural Policy.

industrially, a distinction must be drawn between Greece and Portugal on the one hand and Spain on the other.

The Commission has repeatedly called, though with diminishing conviction of late, for a substantial transfer of resources to enable them to come up to speed economically. But West Germany, the de facto paymaster of Europe, has so far failed to respond to this appeal, although it and other governments are apparently prepared to consider some form of special assistance for Portugal, both before and after accession.

Spain, by contrast, has built up a much broader industrial base and is regarded as a formidable competitor already in exports of motor cars, commercial vehicles and crude and finished steel. None the less, the Commission believes that Spain's balance of payments, like those of the other two candidates, would suffer in the early years of membership as it progressively eliminated tariffs and quantitative restrictions on imports from the rest of the EEC. All three prospective members would also be obliged to cut their external tariffs on imports from other Mediterranean countries, further reducing the protection of their home markets.

Official

The official view in Brussels is that such disadvantages would be compensated in the longer term by the dynamic effects of belonging to a much bigger market. But that presupposes a considerably more vigorous rate of economic growth by the Nine than they have been able to manage since the 1973 oil crisis. Otherwise, enlargement would be likely to result in a worsening of the disparities in national economic performance which have been widely blamed for impeding progress towards fur-

ther integration within the Community.

The Commission has refused to entertain such a move. The admission of Greece is also likely to have an important bearing on the EEC's external policies. The Community's relations with Turkey have been under strain for several years and Ankara is deeply suspicious that Greece, once a member, will use its influence to the detriment of Turkish interests. If fresh hostilities were to break out between Greece and Turkey after enlargement, the EEC could find itself in a difficult position. To say the least, great restraint would have to be exercised on all sides if it were to avoid being dragged into the conflict.

It is clear that digesting the entry of Greece, Portugal and Spain is likely to pose at least as many challenges to the EEC as the last enlargement, whose consequences are still being felt in many areas of Community life. If it is to be carried out successfully, without further weakening cohesion, it will require a good deal of political courage and a willingness to make material sacrifices on the part of the Nine.

President Giscard d'Estaing of France has suggested that three "wise men" be appointed to draw up an independent assessment of the implications of enlargement and recommend ways of dealing with them. His proposal is expected to be discussed at this week's European Council in Brussels. Though it is suspected in some quarters as a tactic aimed at coping with domestic political opposition in France, its adoption by the EEC could none the less help to clarify the Nine's thinking and perhaps induce a greater coherence in their approach to the task ahead of them.

Preparing for a new Parliament

ELECTIONS

Malcolm Rutherford

Political Editor

DIRECT ELECTIONS to the European Parliament will take place for the first time in June next year. At this stage, however, that is about the only firm statement that can be made. All the obvious questions about the level of public interest, the impact that the new Parliament will have, and whether it will succeed in extending its powers are still open.

The problem arises partly because the elections have been so long in coming. They were originally envisaged in Article 138 of the Treaty of Rome, but a firm decision to go ahead was taken only in September, 1976. The Council of Ministers agreed then that the elections would be held "on a single date within the period May-June, 1979". There has since been a further slippage of one year.

The delays have undoubtedly influenced expectations. Had the elections taken place in the days of the founding fathers, it seems likely that the Parliament would have developed into a dynamic institution at least the equal of the Commission, and perhaps even of the Council of Ministers. As it is, the Community has changed in the interim, and not only because of the enlargement from six to nine members. There is no natural disposition today among national governments to give powers in a potential rival or trouble-maker.

Power resides with the Council of Ministers, and beyond that the European Council. At the same time, such popular enthusiasm as might have existed for the Parliament must have declined for want of nourishment.

Nevertheless, it is a fact that in advance what conclusions will be drawn about who is more European. It is by no means inconceivable that the election, which itself leads some to believe will create more friction than harmony, will be the run-up to direct elections is unpredictable, the aftermath is even more so. The powers of the Parliament, which do not change merely because it is now to be elected, are limited but not entirely negligible. At the most, it has the power to dismiss the Commission, but that means the whole of the European Monetary System rather than the Commission itself. What is more attractive to dismiss is the future of the Community is in the hands of the individual member, but the Community is in-

able of taking initiatives, and that is not allowed. There are also certain powers over the Community Budget, especially expenditure, which are non-obligatory under the Treaties - although this latter category amounts to less than 20 per cent of total Community spending. There are powers, too, to ask questions and to pass resolutions, but not much more.

Beyond that, there is the question of influence rather than power. Influence, in this sense, means the opportunity to say something that will be listened to, perhaps widely, but not immediately acted upon. It concludes the heads of the other Community institutions and getting through to a broader public, as well as perhaps using Strasbourg as a way into national politics.

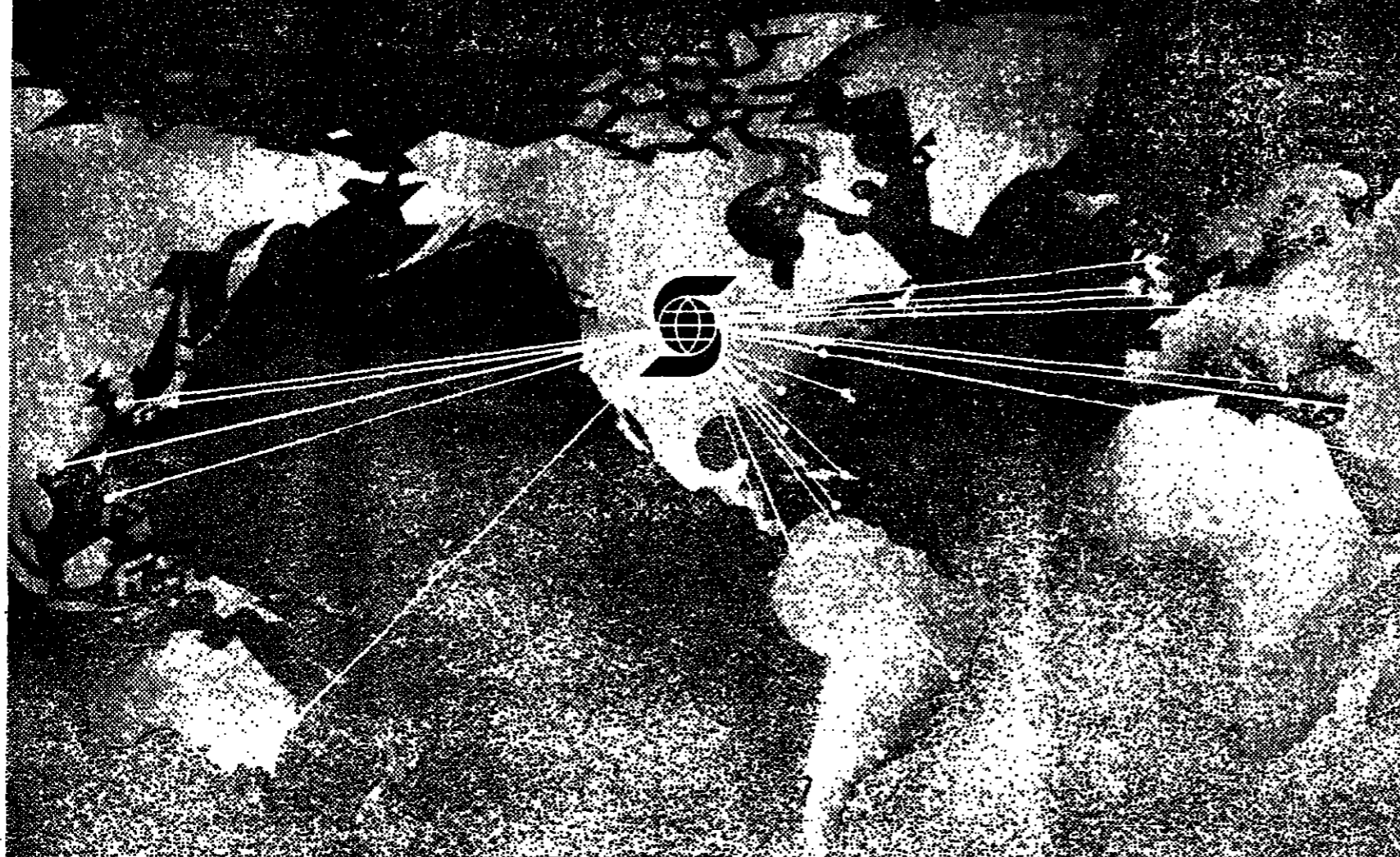
It is generally assumed by those most in favour of direct elections, and perhaps feared by those against, that the powers of the Parliament will increase as a result. In the short-term at least, that is most unlikely. Both the present British and French Governments are firmly opposed to any such increase, and it could not be granted without the Treaty of Rome. Since that would require ratification by each member state, it would not be an easy matter.

There are, however, ways in which the Parliament could make more effective use of existing powers, and certainly one would expect it to expand its influence. For example, an elected Parliament is almost bound to make more noise since its members will wish to be elected. It is likely to insist more strongly on proper answers to questions whether from the Commission or to the Council of Ministers. It will probably make a bigger row about Community expenditure, and it could be that it will find a natural ally in the Commission, which itself feels some of the same pressures. The Commission could become the servant of, at least the civil service of, the Parliament.

The extension of influence will depend partly on the campaign and partly on who is elected. But if the campaign does arouse general interest and the quality, or at least the quantity, of the new Parliament is high, then the internal power is likely to become self-sustaining. It would be much more attractive to dismiss one or more individual members, but the Community is in-

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Shaky path to monetary union

EMS

Guy de Jonquieres

THE EEC is on the threshold of what may well turn out to be the single most important decision affecting its future since the six original members agreed to admit Britain, Denmark and Ireland into their company. The die will be cast in Brussels this week, when leaders of the Nine Governments complete preparations for the planned European Monetary System (EMS), and declare whether their countries will participate in it when it goes into effect early next year.

Depending on one's standpoint, the launching of the EMS is either a commendable act of political leadership and imagination of a kind conspicuously lacking in recent years, or it is an ill-conceived venture, whose technical shortcomings will prevent it from realising the objectives envisaged by its supporters.

The scheme has moved remarkably quickly from the stage of conception to the point of action. It is just over a year since Mr. Roy Jenkins, President of the European Commission, urged governments to reconsider the idea of creating an economic and monetary union. It is less than nine months since Chancellor Helmut Schmidt of Germany and President Giscard d'Estaing of France answered his call by proposing to their EEC colleagues in Copenhagen that they establish together a European "zone of monetary stability."

While EMS may be seen as a step on the road towards monetary union, it is of course less ambitious than the latter goal. There is no provision at this stage for a move to a common currency, with the pooling of national authority that would entail—indeed, the form of the scheme after its initial two-year "running-in period" remains distinctly uncertain. Nor, so far, has there been any firm commit-

ment to a transfer of resources by the wealthier countries, which Mr. Jenkins saw as essential to the maintenance of eventual EMU.

The driving motives of the French and German leaders have been largely of a practical nature. For both of them, the main purpose of EMS is to minimise Europe's exposure to volatile currency movements, which they believe have stunted growth and trade and aggravated inflation. Herr Schmidt has been under pressure from German exporters to do something to prevent their international competitiveness being eroded by the inexorable rise of the D-mark. By the spring of this year, moreover, he was becoming openly irritated with the Carter administration's failure to check the steep decline of the dollar.

President Giscard, for his part, has undoubtedly been influenced by traditional Gallic suspicions of American "hegemony." He is also committed to a bold programme of revitalising French industry in a bid to raise its efficiency and competitiveness to German standards. Both countries do more than half their total trade with other members of the EEC. So that there already existed a basic framework of economic inter-relationships on to which a European monetary initiative could be grafted.

Unstable

Britain has been no less anxious about unstable currencies. But it has been reticent about EMS both because it perceived in it an anti-American tinge and because of genuine doubts about the consequences for its own economy of joining. The Labour Government has also been under intense pressure from within its own ranks to resist any moves which could strengthen EEC influence over national policy.

These considerations led the UK initially to campaign for a much broader currency stabilisation plan, which would embrace the U.S. and Japan as well as Europe. But its efforts

to win wider support fell flat. By the time Britain realised that the political momentum behind EMS was not going to evaporate, it was too late to do much more than fight a rear-guard action to have its design amended.

Italy and Ireland also fear that the monetary disciplines implied in EMS could have adverse economic effects, though the plan is far more attractive to them politically. The penurious counsels and warnings, however, needed little persuasion. In Germany, they are founder-memories of the snake, in which countries agree to limit the fluctuations of their currency to within 2.25 per cent on either side of central rate. A major concern has been that the new system should be no less rigorous and durable than the snake.

How different an animal EMS is from the snake may become clear only after it has been in operation for some months. France, which has twice suffered the indignity of having to leave the snake, has insisted from the beginning that the new scheme embody a number of extra elements. But Britain, at least, has argued that many of these features have been diluted or abandoned altogether and that the exchange rate scheme is now not much more than an enlarged D-mark zone.

In deference to the French, the EEC summit in Bremen last July agreed that the new "European currency unit" (whose initials spell the name of an old French coin) should be "at the centre of the system." It was to have the same value as the European unit of account, a weighted average of EEC currencies used to calculate the Community budget.

The Bremen meeting also stipulated that EMS would be backed by credits totalling 25bn ECU (about \$33bn). These would be created through the deposit by EEC countries of a portion of their national gold and dollar reserves, in exchange for which they would receive ECU's. These would then be used for settling debts between European central banks arising

from foreign exchange market intervention.

The Bremen communiqué was, however, imprecisely phrased. When finance ministers sat down in Brussels early last autumn to draw up a detailed plan, they soon discovered that it was capable of multiple and often conflicting interpretations. Disagreements centred on the precise exchange rate mechanism and intervention rules to be used, and these questions have dominated the debate from the start (so much so that some other elements of the Bremen communiqué, including the use of ECU for official settlements, have never been properly developed). But though often couched in arcane technical language, the debate has in fact mirrored sharply diverging national views on what the EMS should be about.

Growth

Put at its simplest, the position of Germany, backed by its snake partners, has been that sustained economic growth can be achieved only if inflation is kept in check through the exercise of fiscal and monetary restraint. It argues that countries which attempt a dash for growth by allowing their currencies to depreciate and stimulating their economies vigorously,

succeed only in fuelling higher inflation, which soon acts as a brake on their policies. By contrast, countries which pursue prudent monetary policies are rewarded by a mutually-reinforcing pattern of low inflation and stable currencies.

The exchange rate and intervention system backed by Germany is consistent with this view. It is based on a so-called parity grid in which a currency's value is related directly to other participating currencies, as in the present snake. Fluctuation margins would be set so that when one currency touched its ceiling another would automatically hit its floor, requiring intervention by both sides.

Britain, arguing from the opposite end of the debate, has contended that there is little point in linking EEC currencies more closely while the performance of national economies differs widely. Attempts to force sterling into a straitjacket with the Deutschmark and other strong currencies would leave the Government with an uncomfortable choice between pursuing excessive deflationary policies, which would further increase unemployment, and resorting to frequent devaluations, which would undermine the whole purpose of EMS. The UK argues that weaker snake members have had to spend large

amounts of reserves and run their economies at low levels of demand in order to stay in an arrangement which has been constantly subject to upward exchange market pressure on the Deutschmark.

With Italian and some French support, Britain has pressed for an alternative to the parity grid, based on a "basket" in which each currency would be defined in terms of a weighted average of all currencies. When one currency began moving away from the others it could be clearly identified, and the obligation would fall squarely on the national monetary authority concerned to take the necessary action to bring it back into line. Thus the Bank of England would not have to intervene to stem a rise in the Deutschmark unless sterling happened to be under strong selling pressure at the same time.

The formulation has, however, been stoutly resisted by Germany because it would be likely to increase the need for Bundesbank intervention, thereby boosting German money supply and stimulating inflationary pressures. The most that Germany seems likely to accept is a compromise whereby the "basket" would serve as an early warning system which would trigger consultation, but not action, when one currency

began diverging from the others. As a special concession to Italy, however, the lira will with a payment of more than £800m.

Britain has insisted that EMS margins of fluctuation in the parity grid should be more than just an exchange rate system and should be flanked by measures designed to iron out anomalies which discriminate against poorer countries. This general view is backed by Italy and Ireland, which have been seeking an increase in EEC investment aid to bolster their economies. But Britain's goal is more ambitious and controversial. Because its poor deal is due largely to the fact that it gains little benefit from the Common Agricultural Policy, which accounts for three quarters of EEC spending, it demands inevitably call into question the CAP's future.

In several continental capitals, where the CAP is cherished, Britain's position has been angrily condemned as an attempt to re-negotiate terms of its EEC membership a second time. Mr. James Callaghan's delicate task this week will be to convince his colleagues that Britain is firmly committed to staying in the Common Market and to supporting EMS, while trying at the same time to get them to agree to steer EEC policies in a direction which will remove those features most objectionable to the UK.

Isolation

This tactic reflects two main concerns. One is that total exclusion from EMS could lead to Britain's political isolation and relegate it to the lower stratum of a two-tier EEC. The other is that if it stayed outside the system Britain would be deprived of the leverage it needs to persuade its partners to reform the EEC budget, which works increasingly to its financial disadvantage. Although the third poorest EEC member in terms of gross domestic product per head, the UK is likely to be

Parliament

CONTINUED FROM PREVIOUS PAGE

likely to face opposition from national governments, from the Council of Ministers and, not least, from the Parliaments in the member states. None of the national Parliaments will lightly concede power to a potential rival. This problem is particularly acute in Britain, where the major political parties are doing their best to end the dual mandate, yet even while continuing to dislike as to how the Labour or Conservative members in Stras-

bourg will co-ordinate with their counterparts in Westminster. It is in many ways a recipe for discontent, but again discontent can be creative. In the longer run, there are other possibilities. Even in appointed Parliament to date there have been some notable developments. Some British MPs have learned to know and admire the Committee system, even while continuing to dislike the Community as such, and whether they will do much

back to the House of Commons. There have also been the new cross-national groupings, especially, but not only, between the European Liberal Parties. National MPs who have gone to Strasbourg have learned something about other countries that they might not have learned otherwise. This process of cross-fertilisation should not be underestimated. Direct elections should accelerate it. But whether they will do much

more than that must remain at this stage anyone's guess. If one had to hazard a prediction, it would be that if EMS shows signs of working, the moment for direct elections could be peculiarly ripe. Europe would again be advancing on more than one front. But direct elections in themselves are unlikely to prove much of a new dynamic.

Malcolm Rutherford

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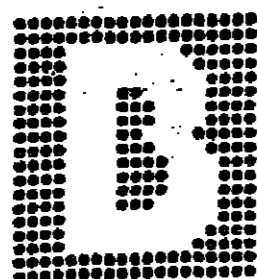
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Peter Riddell
Economics Correspondent

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THE PERFORMANCE and prospects of the main economies of western Europe have improved during the last year. The change has not been dramatic, or as much as might have hoped, but there has at least been movement, in contrast to the experience of the previous two or three years when expectations have generally had to be regularly downgraded.

The main progress, if it can be described as such, has been in preventing a further deterioration rather than in laying the foundations for the common objective of "sustainable non-inflationary growth." But the average rate of price inflation has been reduced slightly within Europe and divergences have narrowed at least compared with the mid-1970s. Moreover the balance of payments position on current account of some countries has improved significantly and in other cases there has been no significant deterioration, while the rate of growth of output has picked up from the low levels of last year.

This has also provided the background for a greater stability of exchange rates within Europe—though not, of

course, against the dollar—compared with the previous two years. The convergence of performance achieved so far, and the considerable remaining divergences, have been the springboard for the Franco-German proposals for a European Monetary System which have preoccupied economic discussion within the EEC for the last six months.

The starting point is the common experience of 1973-78 when there was a very rapid expansion of output in every European country followed by a long and deep recession as countries dealt with the inflationary results of the boom and the sharp rise in commodity prices, notably oil. However, this left the main European countries with widely different inflation and current account experiences.

Increase

In industrialised Europe as a whole, the rate of increase in consumer prices rose from an average of 4.5 per cent in the decade 1962-72 up to just under 13 per cent in 1975—the trough of the recession—but this covered a range of 2.2 per cent in the UK and 17 per cent in Italy down to 6 per cent in West Germany. There was also a wide divergence in current balances in 1975, ranging from the \$3.5bn deficit of the UK to a surplus of almost the same size in West Germany. The strong recovery in most

countries from the late summer of 1975 onwards did little to reduce these differences. Indeed, the contrasts became rather wider in 1976, with Germany remaining in substantial surplus, along with Switzerland and the Netherlands, while France moved into substantial deficit and Italy and the UK showed few signs of significant improvement. At the same time, while the overall rate of inflation in Europe declined to just under 11 per cent in 1976, the differences remained wide. The UK and Italy were still at the top of the range at between 10 and 17 per cent (with even higher rates in certain smaller countries) and West Germany cutting its rate to 4.5 per cent.

These continuing divergences were accompanied by a period of considerable currency instability. The prolonged sterling crisis of March to November 1976 and intense pressure on the lira led to approaches by the UK and Italy to the international Monetary Fund for loans, while the French franc was forced to leave the snake of the existing European joint float, for the second time.

All this was followed by the adoption of stabilisation programmes, both by these major economies and by some of the smaller European countries. This restricted the rate of growth in Europe as a whole until earlier this year.

These programmes have at least partially succeeded in their objective with a reduction in the French deficit from \$8.1bn in 1976 to \$3.2bn this year, according to the latest estimate from the Secretariat of the Organisation for Economic Co-operation and Development in Paris. In Italy, the turnaround has been even more dramatic as the \$2.8bn deficit of 1976 was turned into a \$2.3bn surplus last year, with an estimated \$5.5bn surplus in 1978. In the UK, the progress has been from a deficit of \$1.5bn in 1976 through a surplus of around \$500m last year 'or a small deficit in 1978.

Inflation

There has also been progress in reducing the rate of inflation, though the average rate of increase in consumer prices in Western Europe should be just over 9 per cent this year, according to the National Institute. This compares with a rate of 11.2 per cent in 1977. In Italy the rate has been cut from 17 to 12 per cent over the last year and in the UK from 15.9 to 9.2 per cent, though the French rate has shown little change at between 9.1 and 10 per cent.

The improvement in the external position of the intermediate or convalescent economies, such as France, Italy and the UK led them to adopt a less restrictive fiscal stance from late last year onwards. This was coupled with specific expansionary action by West Germany in response to a concerted programme agreed at international meetings last summer and autumn.

The result of the more relaxed fiscal stance and an expansion in the growth of the

real money supply has been a modest acceleration in the overall rate of growth of output. A rise in real Gross Domestic Product of 2.8 per cent is projected for this year in western Europe by the National Institute, compared with an increase of 2.2 per cent last year and an average rate of expansion of 3.8 per cent in the decade 1966-1976.

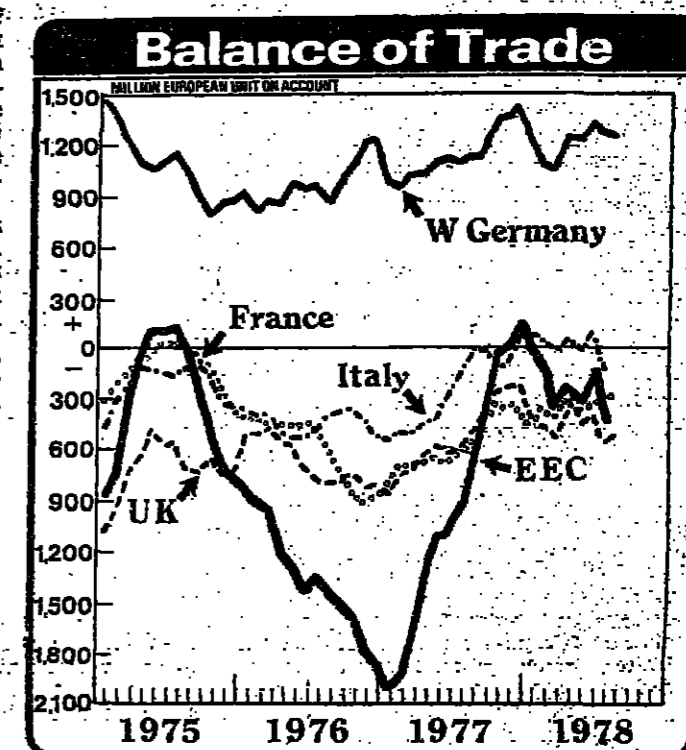
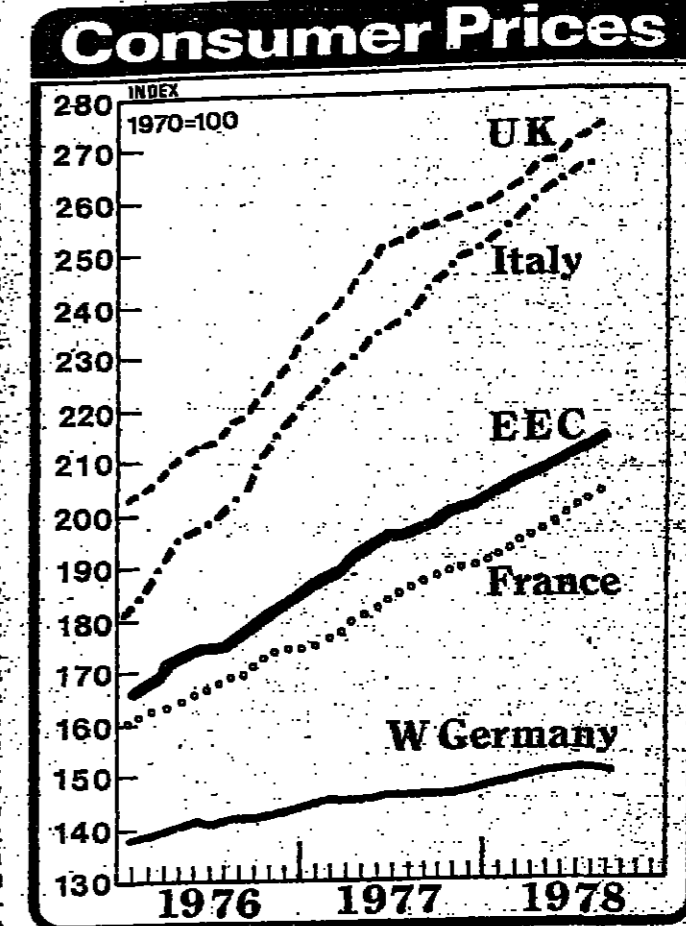
The latest OECD estimates indicate a pick-up in the rate of growth of GDP in the UK from 0.7 per cent last year to 3 per cent in 1978; in Italy from 1.7 to 3 per cent; in West Germany from 2.4 to 2.9 per cent with little change in France at around 3 per cent.

Unemployment

None of this adds up to a spectacular improvement, especially as unemployment has only come down slightly. If at all, from recent high levels. Moreover the rate of inflation generally throughout Europe remains much higher and the rate of growth of output much lower than in the 1960s and 1970s. But the modest pick-up in growth in the past few months, notably in West Germany where construction activity has been buoyant, has led to the view at recent international meetings that the broad direction of policy is on the right lines. There has been no pressure for renewed expansionary moves in view both of the need to continue to fight inflation and to avoid a return to major current account imbalances within Europe. There is also concern about the impact of the sharp fall in the dollar in 1977-78 upon the prospects for export growth.

The view of most forecasters is that prospects for the main western European economies should remain relatively bright next year, at least by comparison with the mid-1970s. There should be a modest further improvement in the rate of growth of output in the stronger European economies but this is unlikely to be sufficient to offset the expected slowdown in the U.S. and slight slackening in the expansion in Japan. So the overall growth of Gross Domestic Product in the OECD area is projected to decline from 3.6 to 3.3 per cent with Europe taking over as the major contributor to world economic expansion next year. However, since the European economies are more dependent on foreign trade than the U.S., no slackening is expected in the growth of world trade after the pick-up this year.

Some commentators believe that growth may not even be up to this level because the slowdown in the U.S. may be sharper than so far expected, while West German exports may be affected more than so far estimated by the appreciation of the D-mark against the dollar. Moreover, the determination to fight inflation in the so-called convalescent economies means that there is unlikely to be any further significant expansionary action in France or the UK, and possibly more restrictive measures. In the short term the establishment of the European Monetary System could act as a



constraint as countries with the surplus in West Germany weak currencies seek to keep but a small increase in France and Italy.

Among the major economies, the growth of West German output is projected by a small amount—down to perhaps 8.2 per cent from 9.1 per cent in Western Europe. Few forecasters expect a significant narrowing in the gap between the inflation rate in West Germany of 8 to 11 per cent and that of 8 to 11 per cent in the other major western European economies. And that is the main challenge which a successful EMS will have to overcome.

Tougher attitudes

DEVELOPMENT

Margaret van Hattem
Economics Correspondent

EUROPE, SUFFERING from industrial stagnation with more than 5m unemployed in the EEC alone, no longer feels quite as embarrassed by Third World poverty as it used to. Nor is it quite as worried as it once was that Third World commodity producers, encouraged by the OPEC success, might try their hand at something similar. The wave of mini-OPECs to control the world's commodity markets never arrived. So it is not surprising to find European attitudes to development aid and co-operation growing much tougher.

Talk of a new world economic order to redress the imbalances between suppliers and users of raw materials sounds hollow and more academic than ever before. Negotiations for an international common fund to stabilise commodity prices are floundering. The future of the Commodity Development Fund, heralded by the north-south dialogue, is highly uncertain. And the "enlightened self-interest" that first led the industrialised world into these areas seems to have grown a little more self-interested in the intervening years.

One there was talk of the industrialised countries moving into high technology industries to allow developing countries a greater share of markets for less sophisticated, labour-intensive production. But as high technology industries and ser-

vice sectors become more computerised and automated, reducing the scope for alternative employment, the developing countries are having second thoughts about exporting jobs.

The climate has changed a lot since the negotiation of the first five-year Lomé convention between the EEC and the African, Caribbean and Pacific (ACP) countries, which means the current negotiations for Lomé 2 are not going to get any easier. The Community is not about to renege on its obligations, but nor is it about to take on a lot more. The ACP countries want a radically new convention rather than the slightly modified extension of the old one that the Community has in mind, but they will have to fight hard for any major changes.

At this stage, they have little cause for optimism. Even though the EEC commission might be prepared to consider some of these demands and try to meet them half way, the Commission is not politically responsible for the decisions taken in response to its proposals. This is left to the Council of Ministers, who generally take a much tougher line. There may be some increase in the budget, but it is unlikely to be dramatic. The range of products may be widened—possibly to include copper which accounts for 20 per cent of ACP exports to the Community—but the EEC has no intention of introducing

ACP cane sugar at EEC prices. But the ACP share of EEC markets is now smaller than it was before the Convention came into effect. And the Community's progressive widening of its system of generalised tariff preferences (GSP) on semi-manufactured and manufactured goods from the developing world has eroded the ACP advantage over, for example, Asian and Latin American countries. Meanwhile, the returns guaranteed by the STABEX fund have shrunk in real terms because of inflation.

This leads to one of the major points of contention in the current renegotiation. ACP countries want STABEX drastically reformed. They want a bigger budget than the current 13m units of account a year. They want it to cover a wider range of products than the present 19, and above all they want some form of indexation, linking returns on primary products to rising prices on EEC exports of industrial goods.

At this stage, they have little cause for optimism. Even though the EEC commission might be prepared to consider some of these demands and try to meet them half way, the Commission is not politically responsible for the decisions taken in response to its proposals. This is left to the Council of Ministers, who generally take a much tougher line. There may be some increase in the budget, but it is unlikely to be dramatic. The range of products may be widened—possibly to include copper which accounts for 20 per cent of ACP exports to the Community—but the EEC has no intention of introducing

indexation. "The Convention aims only to ease problems, not to solve them," is the Commission's explanation. Moreover, it is suggested that indexation within the Convention would discriminate against non-ACP developing countries who export the same products to the Community but face falling terms of trade.

The Community is already under pressure in this area because of its plans for enlargement. Apart from its commitment to the ACP countries, the EEC also has preferential agreements with the Maghreb countries (Tunisia, Morocco and Algeria) and the Mashreq countries (Jordan, Egypt, Lebanon and Syria) granting free access to EEC markets for non-sensitive industrial goods, and tariff cuts on Mediterranean agricultural products such as citrus fruits. At the moment, these countries enjoy substantial advantages over the three countries applying for EEC membership—Portugal, Spain and Greece. Once they join, however, although the access of the Maghreb and Mashreq countries to EEC markets may remain the same, the demand for their products will drop.

Further pressure on the Community is likely to come from the ASEAN countries—Singapore, Thailand, Indonesia, Malaysia and the Philippines. They are seeking a co-operation agreement with the EEC and continue to press for guarantees on earnings from raw materials exports similar to those offered by STABEX, despite persistent EEC refusal to contemplate this outside a much wider north-south co-

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SALT 3 negotiations get underway, there will be further head-aches for the European allies. Moscow would like to include medium-range nuclear weapons targeted at the Soviet Union from Western Europe, such as the French and British deter-rents, in future negotiations. The West Germans, who are particularly alarmed at the power of the Russian nuclear threat to Western Europe embodied

Ministers will not be able to take the programme much further, given the short space of time in which it has so far been in operation. They will have their first chance to review progress when they meet again in the spring. There is real hope, however, that the coming days will finally settle a long-running issue that has devoured Ministerial and official time over the last few years—the establishment of a NATO airborne early warning force flying the so-called AWACS aircraft. Britain, impatient with the continuing failure to agree, went ahead with its own 11-strong Nimrod force 18 months ago. Now the signs are that the other countries may at last have together financial and operational packages that could add further 15 Boeing E-3 aircraft, based mainly in West Germany. The new force would greatly reduce NATO's vulnerability to surprise attack.

Hopes have also risen in recent weeks that the European allies may at last be near a breakthrough in another area

Reduction

Nor has Moscow shown any sign of the moderation called for by President Carter when he announced that he was suspending production of the so-called neutron bomb. The build-up has gone on relentlessly, and there has been no breakthrough in the Vienna East-West force reduction talks (MBFR), leading President Carter to announce in October that he was keeping open the option of deploying the bomb. The MBFR talks are still stalled over the disagreement between the U.S. and the Soviet Union over the number of troops involved on either side, and there is no chance of concluding the talks until this tiresome issue is resolved. After years of negotiations aimed at clarifying the data problem, most Western officials have come to the conclusion that the Russians are deliberately misrepresenting the size of the Warsaw Pact forces in Central Europe. In Geneva, the trilateral negotiations between the U.S., the Soviet Union and the UK on a Treaty banning all nuclear testing are still bogged down on the tricky question of how to verify the agreement, and despite optimistic noises from both Moscow and Washington, the SALT 2 agreement has still not been signed well over a year since SALT 1 expired.

Once SALT 1 is concluded and

find a way of bringing this threat under control. But it is far from clear that France or the UK will be prepared to sacrifice their deterrents in exchange for limits on the SS-20 and the Backfire. Nor are the Russians in any case likely to be prepared to completely renounce their SS-20s in exchange for the abolition of the French and British deterrents. Some would argue that the answer is to counter the threat by deploying new longer range weapons, such as the Cruise missile or the Pershing II, in Western Europe. The risk here is of creating a "Eurostrategic" balance that Moscow might interpret as permitting a European Europe without triggering the U.S. intercontinental deterrent.

The basis of the present crisis in the talks, the strong objections to the level of

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13. BANKERS TRUST CO., NEW YORK	4.1
14. WELLS FARGO BANK NA, SAN FRANCISCO	4.1
15. CHASE MANHATTAN BANK NA, NEW YORK	4.0
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17. MANUFACTURERS HANOVER TRUST CO., NEW YORK	3.7
18. BANK OF AMERICA NT&SA, SAN FRANCISCO	3.6
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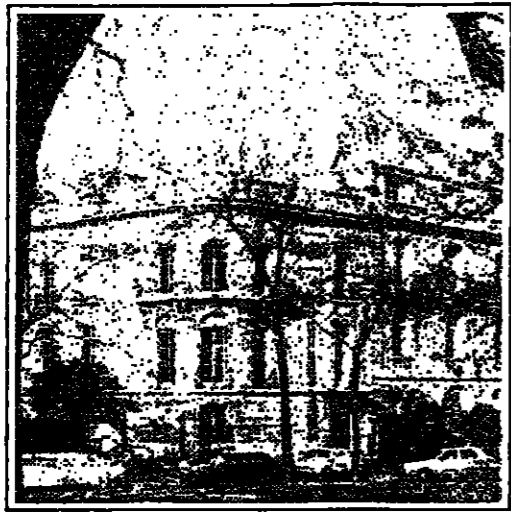
EUROPE VI

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AS THE great British debate about entry into the EEC was reaching its height in the early years of this decade hardly a thought was given to the effect this decision would have on the country's fishing industry. Meanwhile, across the Channel the Six were hurriedly cobbling together a common fisheries policy to complement their Common Agricultural Policy and few people could have foreseen the controversy and acrimony that this policy was destined to stir up.

The Norwegians, however, were less complacent than the British. Fishing was and is one of the main planks in their country's industrial structure and they were not blind to the problems the new policy promised to bring.

Concern over the common fisheries policy is now recognised as having been one of the clinching factors in Norway's decision to remain outside the Common Market.

The motives of the original Six on this question were clear. The fish stocks in Britain's coastal waters are the richest in Europe and the fishing nations already in the Community saw an opportunity to lay claim to full right of access to these waters. Britain realised what was going on, of course, but set against the benefits it hoped to gain through EEC membership, the possible damage to fishing interests seemed insignificant.

In those days national limits extended only a few miles and most important fishing grounds were open to all anyway. And most of the U.K. fishing effort was in distant waters, off Iceland and in the North East Arctic. Furthermore the damage done to stocks by years of heavy over-fishing were not yet fully apparent.

This view of the situation was even shared by some fishing industry leaders. At the time of the referendum on EEC entry Mr. Austin Laing,

director general of the British Fishing Federation, and several of his senior colleagues told the Federation's members that they were in favour of Britain joining the Community, although they recognised that it would not be good for the British fishing industry. It is doubtful, however, that they realised quite how bad for the industry it would prove to be.

Since that time the whole shape of the world fishing industry has changed and nowhere has that change been more profound than in Europe. The most dramatic change was the general switch to 200-mile national limits. Britain tried to resist this move in the case of Iceland but after the last abortive "cod war" was forced to accept the new situation and within a few months had declared a 200-mile limit of its own.

Soured

The "cod war" had soured relations between Iceland and Britain, however, that it proved impossible for the UK to secure even a nominal share of what were now indisputably Icelandic cod stocks.

Norway has also extended its limit to 200 miles, and while it is more willing than Iceland to negotiate for reciprocal access with the EEC this has proved difficult because of lack of agreement on the Common Market's internal policy. Until the common fisheries policy is signed and sealed, a prospect that could still be some way off, EEC fishermen will have to be satisfied with little more than token access to Norwegian waters.

To make matters worse the results of over-fishing have been coming home to roost with a vengeance over the past few years. Declining catches of cod, haddock and other varieties have caused serious problems for fishermen from all EEC countries. And herring fishing has had to be virtually halted to avoid the extinction of the major European stocks.

Settlement of the common fisheries policy would not solve all these problems but it would at least allow serious negotiations on reciprocal deals with non-member countries to get under way, and this could

alleviate the problems faced by some, though not all, EEC fishermen.

The main stumbling block in the EEC's internal negotiations has been Britain's intransigence. The UK is the major contributor to the EEC's common "fish pond"—over 80 per cent of Common Market fish stocks swim in "British" waters—and British fishermen are determined that they should get the lion's share (at least 45 per cent) in terms of catch quotas.

In addition they originally wanted exclusive access to waters in a 50-mile coastal band around Britain. Agriculture and Fisheries Minister John Silkin agrees with this position in principle, though he has scaled down the 50-mile exclusive zone claim to 12 miles exclusive and a "dominant preference" up to 50 miles, and he has never been specific about his minimum quota requirements.

Until recently these demands have met with total rejection in the Council of Ministers. Britain's proposed quota share, the BFF claims, is really only 25 per cent if an unwanted horse-mackerel quota of 100,000 tonnes a year is disregarded;

and any mention of exclusive zones has always prompted high-sounding quotations from the Treaty of Rome wherein is enshrined the principle of free access for member states. Mr. Silkin's observation that this free access is intended to refer to marketing opportunities and not territorial entitlements has fallen on deaf ears.

Contention

Another bone of contention between Britain and the rest has been on the need for conservation. In the absence of Community agreement the British Government has felt it necessary earlier this year to take the law into its own hands on this question—banning herring fishing in certain areas and industrial (fishmeal) fishing in a North Sea area known as the Norway punt box—as well as limiting fishing for some other species.

This further angered the other fisheries ministers, and the Common Market Commission decided to take Britain to the European Court of Justice over certain aspects of its unilateral fish conservation policy. At this point the situation

looked far from hopeful. Relations between Mr. Silkin and his Continental counterparts had deteriorated to a point where meaningful negotiations on fisheries seemed impossible. But then came last month's Bonn summit. U.K. Prime Minister James Callaghan and West German Chancellor Helmut Schmidt agreed at this meeting that the time had come for a political initiative aimed at breaking the deadlock and instructed their respective agriculture ministers to seek a common policy agreement by the end of this year.

Since then Mr. Silkin appears to have softened his position somewhat by shelving a planned ban on small-mesh fishing for scampi in UK waters and agreeing to the setting up of a working party to study the historic rights of Continental fishermen within Britain's proposed 12-mile band. The BFF has been disturbed to find that these "conciliatory gestures" have not been reciprocated in any tangible form, but Mr. Silkin has claimed, however, that definite signs of increased willingness to negotiate could be discerned on the other side.

He said a working document issued by the Commission implicitly referred to several British claims which had hitherto been met with a stonewall response. Among these was a demand that Britain should be given "the sea lion's share" of any increase in fishing opportunities resulting from conservation measures in recognition of its major contribution to the Community "pond".

The consideration of historic rights around Britain's coast also implied a retreat from the other members' old "up in the beaches" fishing policy, he said. After two years of almost continuous negotiation these developments appeared to represent some light at the end of the tunnel. But this light was quickly extinguished late last month when the Council of Agriculture Ministers rejected modified UK demands and Mr. Krul, the West German Minister, accused Mr. Silkin of not wanting the Common Market system to work in its current form.

EEC heads of state will be discussing the fisheries question at their summit meeting this week but so far their agriculture ministers have given them little to work on.

CAP still under attack

AGRICULTURE

Margaret van Hattem

EUROPE PRODUCES three basic varieties of farmer: those with a soft protective covering otherwise known as the EEC Common Agricultural Policy; those about to grow one as soon as the Community is enlarged from nine to 12 member countries; and those out in the cold who have to contend with free market forces. The ones in the third category are the hardest.

They have to be denied free access to the world's biggest market for food, they are under great pressure to produce efficiently, and with an eye to the demand for their output. Those inside the Community are much weaker. Without guaranteed high prices for most of their output, many would go out of business. The Community protects them further by allowing them to produce as much as they like—sugar is the only product on which there are quota restrictions—whether or not there is a market for their output.

The regional imbalances within the present Community will be magnified by the accession of Greece, Portugal and Spain. The Commission concluded in its recent analysis of the effects of enlargement. Whether the applicant countries will accept this fact quite so calmly remains to be seen. Opponents of the CAP's high levels of price support—that is to say, the British—are hoping to find allies in the new members. They suggest that the dent in Mediterranean trade balances resulting from increased imports of expensive northern products will lead to pressure for reform of the CAP. But

more outside the Community. Britain has been crying in the wilderness over this point virtually since it joined the Community in 1973, with little to show for its efforts. And the French and the Italians are unlikely to have sufficient political weight in the Community to curb growth in production of any product directly in competition with their own.

With all these constraints, the scope for improvements in southern farmers' incomes is very limited. Increased profitability will have to come from higher efficiency, which implies not only structural and marketing reforms but also a significant reduction in the agricultural population. And this, as the EEC Commission realises, cannot happen until other sectors of the Greek, Spanish and Portuguese economies are growing fast enough to absorb them. Given the present depressed state of industry elsewhere in the Community, this could take a very long time indeed.

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Enlargement

Enlargement of the EEC will undoubtedly be a good thing for the farmers in the northern part of the Community. When Greece, Spain and Portugal are members, there will be at least 20 per cent more EEC consumers to eat their way through the growing mountains of overpriced sugar, butter and other dairy products that the northerners are happily producing. The applicant countries already import some of their requirements of these products from the Community and are not expected, on accession, to increase their intake sufficiently to bring EEC markets back into balance. But the increase will probably be big enough to ease pressure for cuts in price support for surplus products.

Enlargement may not be quite such a good thing for Mediterranean farmers either, in the existing Community or in the applicant countries. It will increase the size of the agricultural population by around 75 per cent, the value of output by 24 per cent. The gap between these two figures indicates the extent to which northern farming is more efficient and more profitable than that of the Mediterranean. This disparity is likely to persist for many years. The CAP, as currently operated, gives far more support to northern than southern products.

But if northern taxpayers do not, on the whole, press aggressively for elimination of the huge butter and milk powder surpluses, they are determined not to let similar stocks of wine, olive oil and citrus fruit accumulate in the south. There is already surplus or near surplus in many Mediterranean products and a large capacity for increased production in the applicant countries, particularly Spain. Inside the Community, they will be competing with southern Italian and French farmers who are already pressing for—and getting—financial help to increase their competitive edge over the new members. Elsewhere, they can expect a falling world price as the other non-EEC Mediterranean countries—in the Maghreb, the Mashreq and Israel—lose their present advantage over the applicant countries, and are forced to sell

directly from the Community's increasing agricultural production and its tendency to dump its surpluses on third country markets. The U.S. demand for greater access to EEC markets for several of its agricultural products remains one of the major obstacles to agreement in the present round of talks under the General Agreement on Tariffs and Trade (GATT), in Geneva.

Agreement on Tariffs and Trade (GATT), in Geneva. At the moment the Commission is currently unable to ignore any Australian threats to withhold supplies of uranium and other raw materials or to buy its grain elsewhere unless the Community stops dumping dairy products on third country markets and increases access for Australian beef. It is sufficiently aware of Australia's potential as a minerals supplier to know how far it can go.

Pressures from other big trading nations may finally force the Community to accept the message that the British have so far failed to get across—that the EEC is not an island and the world market for agricultural products does not have an infinite absorptive capacity. The Community's assumption of an unlimited right to produce, is seen elsewhere as simply the reverse face of the old colonialist mentality from which Europe has tried so hard to dissociate itself. Merely putting the Community house in order by bringing the internal markets back into balance will not be enough. If the Europeans inside the EEC want to continue their present strict regulation of the world's biggest market for food, they will sooner or later have to accept that the rights to produce for and sell on it are negotiable.

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EUROPE VIII

A new balance of power

FRANCE

Robert Mauthner
Paris Correspondent

THE YEAR now drawing to a close has been a momentous one for France, both in the political and economic fields.

After the uncertainties of the previous 12 months, when fears of a Socialist-Communist election victory embittered the political climate and inhibited the Government's economic and industrial policies, the situation was suddenly clarified by the general election last March.

Though the divisive quarrels between the Communists and Socialists during the months

leading up to the election had made it increasingly obvious that the Left was throwing away its chances of coming to power, the magnitude of the Centre-Right coalition's victory took everybody by surprise.

The majority of 90 seats won by the coalition parties exceeded the most optimistic forecasts on the Government side. And the fact that the new grouping of Giscardian centrists, the Union Pour la Démocratie Française (UDF), for the first time emerged as a real political force almost equal in strength to the Gaullists, fundamentally changed the balance of power within the Government coalition.

President Giscard d'Estaing, who had been hamstrung by the Gaullists since his election in

1974, found himself with a much freer hand than he had before and was rightly hailed as the real victor of the election.

There have been moments when M. Jacques Chirac, the leader of the Gaullist RPR Party, who clearly sees himself as a future president of France, has tried to make things difficult for the Government by asserting his party's independence in a host of areas ranging from economic policy to European community affairs. But he quickly found that his over-assertive tactics were counter-productive.

M. Chirac's personal popularity, as measured by the public opinion polls, took a plunge, and even a substantial number of his own supporters

in the National Assembly felt that the Gaullists should not go too far in their harassment of a Government which they had helped to bring back to power.

M. Chirac was consequently induced to conclude an uneasy political truce with President Giscard, which ensures that the Gaullists will not threaten the life of the Government, while reserving their right to criticise.

Nor, for at least another year, does President Giscard have to worry too much about the left-wing opposition. Heavily outnumbered in the National Assembly by the coalition parties, the Socialists and Communists no longer exist as a combined force and there seems little or no prospect of patching up the old union of the Left,

except perhaps in the form of a purely electoral alliance.

While M. Francois Mitterrand, the Socialist leader, still pays lip-service to the union of the Left, some of his lieutenants in the party hierarchy, such as M. Michel Rocard, the openly talking Rocard, are now talking of severing all links with the Communists and giving the Party a traditional Social Democratic image.

Politically unshackled, President Giscard and his economist Prime Minister, M. Raymond Barre, whom he reappointed after the general election, have thus been given more time and room for manoeuvre than usual to push through their policies.

M. Barre wasted no time in stamping a new liberal image on the Government. Interpreting the election results as a rejection of the collectivist political and economic philosophies of the left, he has taken radical steps to free the country from its long dirigiste tradition and to restore a competitive industrial climate.

Monetary and credit policies have been kept tight and wages rises continue to be restricted to increases in the cost-of-living index. But the results so far have been no more than mixed, though M. Barre himself has always said that it would take about three years for his medicines to bring about a permanent recovery. The Prime Minister must take some responsibility for spinning out the cure.

The trade balance, it is true, has been in the black for eight out of the first 10 months of this year and the seasonally corrected cumulative surplus since the beginning of 1973 stands at FF 2.75bn, compared with a total deficit for 1972 of FF 2.7bn.

It is on the inflation front that the Prime Minister's policies have had the most disappointing results. The official price index, after rising by 9.1 per cent in 1972, will almost certainly increase by nearly 10 per cent in the current year.

Indeed, the new industrial policy has already claimed a famous victim. Unable to persuade the authorities that he was capable of restoring his ailing and debt-ridden textile empire to economic health, M. Marcel Bouscar, has been obliged to divest himself of his interests in favour of a rival company.

Not surprisingly, there have been some big hitches. The would have an immediate impact on the monthly price index, but he has argued all

term debts of FF 350m last year were equal to its annual turnover, was too big and in too much trouble to be given the new Barre treatment.

Given its strategic economic importance and the large number of people it employs, it could not, clearly, be allowed to go to the wall. Nor was it practicable or realistic to hike it off. So the Government swallowed its liberal pride and, as part of a fundamental restructuring plan, has taken over effective financial control of the industry, while claiming that this is not tantamount to nationalisation.

M. Barre's new industrial policy has gone hand-in-hand with a continuation of his economic stabilisation plan, the first version of which was introduced in the early autumn of 1972. The main macro-economic priorities of the Government are still the fight against inflation, restoring the trade balance and stabilising the franc on the exchange markets.

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Given its strategic economic importance and the large number of people it employs, it could not, clearly, be allowed to go to the wall. Nor was it practicable or realistic to hike it off. So the Government swallowed its liberal pride and, as part of a fundamental restructuring plan, has taken over effective financial control of the industry, while claiming that this is not tantamount to nationalisation.

M. Barre's new industrial policy has gone hand-in-hand with a continuation of his economic stabilisation plan, the first version of which was introduced in the early autumn of 1972. The main macro-economic priorities of the Government are still the fight against inflation, restoring the trade balance and stabilising the franc on the exchange markets.

Monetary and credit policies have been kept tight and wages rises continue to be restricted to increases in the cost-of-living index. But the results so far have been no more than mixed, though M. Barre himself has always said that it would take about three years for his medicines to bring about a permanent recovery. The Prime Minister must take some responsibility for spinning out the cure.

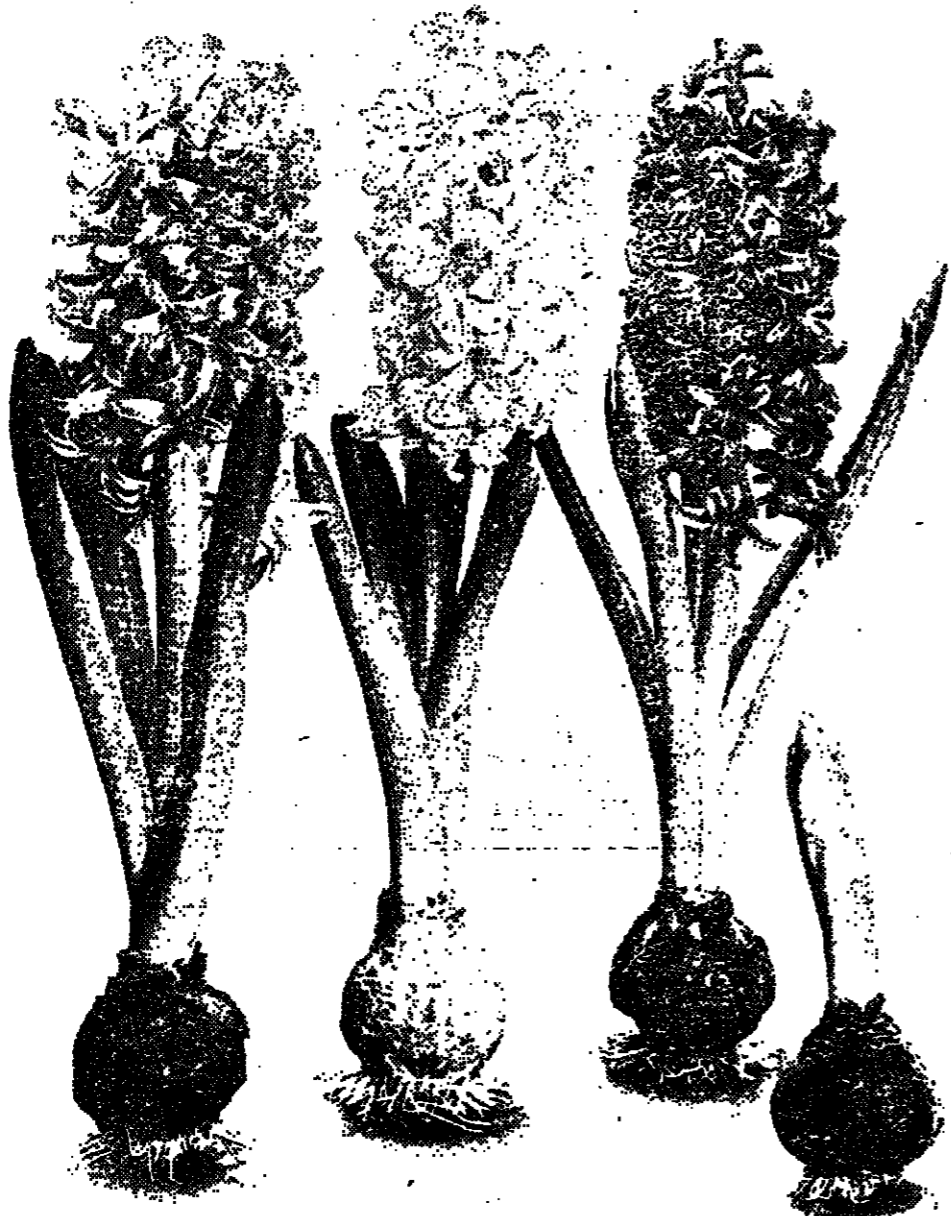
The trade balance, it is true, has been in the black for eight out of the first 10 months of this year and the seasonally corrected cumulative surplus since the beginning of 1973 stands at FF 2.75bn, compared with a total deficit for 1972 of FF 2.7bn.

It is on the inflation front that the Prime Minister's policies have had the most disappointing results. The official price index, after rising by 9.1 per cent in 1972, will almost certainly increase by nearly 10 per cent in the current year.

Indeed, the new industrial policy has already claimed a famous victim. Unable to persuade the authorities that he was capable of restoring his ailing and debt-ridden textile empire to economic health, M. Marcel Bouscar, has been obliged to divest himself of his interests in favour of a rival company.

Not surprisingly, there have been some big hitches. The would have an immediate impact on the monthly price index, but he has argued all

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NETHERLANDS

Charles Batchelor
Amsterdam Correspondent

HOLLAND'S PRESSING economic problems have tended to concentrate interest on domestic affairs over the past year. On one political front the formation of a new government after months of preliminary negotiations has focused attention on the new issues in the Hague and pushed events in Brussels into the background.

The major European development which has been occupying officials in Holland is the proposal for a European Monetary System (EMS). The Dutch accept that they will play a minor role in the discussions of this issue, although their resentment of the domination of Community developments by the largest members continues. With regard to one issue, however, the military and peaceful applications of nuclear energy, Holland is attempting to make its own distinctive voice heard in Europe and beyond.

Support for the European ideal is widespread and uncontentious in Holland, with successive governments of varying hues consistently in favour of European integration. The country's open borders make it particularly vulnerable to external events, while its small size means that its interests are best served through supra-national groupings. A recent opinion poll conducted for the AVRO broadcasting organisation showed 71 per cent of the population in favour of more co-operation on a European level, while a large majority held this co-operation to be essential.

The prospect of direct elections to the European Parliament next year has not proved controversial in Holland, but the controversial issue it became in the UK, but it has aroused little enthusiasm either. While direct elections are expected to strengthen the power of the Parliament, its limited achievements so far have not inclined the Dutch parties generally to anticipate a great deal from the new body. Nuclear issues have taken up a great deal of parliamentary

time in the past 11 months as four-year coalition with the Labour Party. It has been the take part in the elections. Only the Dutch were prepared to put Community interests above those of their own country, the poll showed. The 25 European MFs from Holland will be elected by the same proportional representation system as that by which the Dutch lower house of parliament is chosen.

The proposed European Monetary System has the full support of the Dutch Government. A recent commentary on the ideas thrown up by the EEC summit in Bremen in July, Finance Minister Frans Andriessen made clear his satisfaction that the discussions now involve all the EEC member states working through the appropriate Community organs. Dutch approval for the EMS is hardly surprising in view of Mr. Andriessen's predecessor's proposal—dubbed the "Duisenberg plan"—to achieve greater monetary co-operation.

In the defence field a strong body of public and parliamentary opinion is opposed to acquisition of the neutron bomb by NATO forces stationed in Europe. The largely Christian Democrat Government overcame strong opposition from many of its own MPs to the new weapon.

The Government view is that it should be used as a bargaining counter in the East-West arms limitation talks, leaving the final decision on it these fall. Domestically, the new Christian-Democratic-Liberal coalition Government has begun to tackle the country's economic problems. It has produced a programme, known as "Blueprint '81," for curbing public spending and increasing industry profits, which it managed to get through Parliament, largely intact, in October.

The new Government has come through its first 11 months in office rather more successfully than many observers thought possible. The failure of the Labour Party (PvdA) to reach agreement on a coalition with the Christian Democrats means that the largest party, and the one which had been most successful in the May 1972 elections, was excluded from government. The middle-of-the-road Christian Democrats and their right-wing Liberal Party allies further while new production capacity is increasingly being sited abroad. Unemployment in the first nine months of the year, following a deficit of FF 2.2bn in the same period of 1972.

High wage costs and the strength of the guilder have made Dutch exports increasingly uncompetitive on world markets. Companies are reluctant to invest and few new jobs are being created. Figures released recently by Philips and ASKO reveal the number of jobs they lost in Holland while new production capacity is increasingly being sited abroad. Unemployment in the first nine months of the year, following a deficit of FF 2.2bn in the same period of 1972.

Prime Minister Mr. Dries van Agt's main difficulty has not been with his conservative wage policy. One bright spot is the success in reducing inflation, a considerable amount of accord with 10-15 per cent this year from them, considering his earlier 60 per cent in 1972.

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مكتبة النجف

A brighter picture all round

WEST GERMANY

Jonathan Carr
Bonn Correspondent

There no longer is such time left to have worked and to be healthy and to be at least a little bit. Judging by the headline of the 1978, it is probably what the campaign for the election of the following year will be. It is expected that the government will be able to gain momentum in the election, if he runs on the issue of the economy. It is expected that the government will be able to gain momentum in the election, if he runs on the issue of the economy. It is expected that the government will be able to gain momentum in the election, if he runs on the issue of the economy.

WEST GERMANS have good grounds for saying that 1978 will prove the most satisfactory year for them since the oil crisis. That does not imply that their economy will achieve its highest ever growth rate, nor that inflation will decline further, nor that labour unrest will be absent. But it does mean that, externally and internally, a number of encouraging elements are coming together to allow a moderately strong economic upswing, with a relatively high measure of price stability, business confidence and social peace.

Had anyone dared to make a similar forecast in the spring he would have been branded a lunatic by most people. Economic growth was almost nonexistent and there had been for West Germany bitter disputes in the metalworking and printing industries. Further, rumours had it that Chancellor Helmut Schmidt was hatching a scheme with the French intended to bring more currency stability to Europe but which, it was feared, would simply drive up West Germany's money supply and inflation.

Abroad, the U.S. was still pressing West Germany to act as a "locomotive" of the world economy and the outcome of the planned Western economic summit conference in July in Bonn was far from certain. At home, the Social-Democrat-Free Democrat coalition Government faced a crucial election in the state of Hesse, whose outcome might have upset the balance of power in Bonn and finally returned the Christian Democrats to the governmental office they lost in 1969.

What happened? Economically, the first quarter of the year turned out to be by far the worst with real growth in GNP of only 1.7 per cent. Since then things have been picking up, partly helped by the cumulative impact of those programmes of economic stimulation which the Government had been producing regularly, sometimes it seemed desperately, since the oil crisis.

The outlook for the whole of 1978 is for about 3 per cent real

growth with an inflation rate of some 2.5 per cent. The Government had hoped for more growth and had expected more inflation—which is what it seems likely to get next year instead. Latest estimates are for 4 per cent real growth in GNP in 1978, with 3.5 per cent inflation. That will not solve the problem of the unemployed, averaging just under 1m by 1978. Nor will it put weaker sectors of industry, like shipbuilding, back on their feet. But in general it is not far from what "upswing in stability" which West Germans have tried to obtain for themselves—and which they have so strongly advocated to others.

It goes almost without saying that the figures could easily be upset. If the planned European Monetary System (EMS) is going to mean significantly more market intervention by the Bundesbank, thanks to the inclusion of weaker currencies not at present members of the snake, then that 3.5 per cent inflation estimate could prove too low. What is so far known about the structure of the monetary system suggests that this danger has been recognised and action taken to avert it. But it would be as absurd to suggest that there is no risk at all as it would be to deny that great benefits will ensue if the system holds together as the snake has done. For West Germany the immediate advantage is clear enough. More than half of its exports go to other Western European countries inside or outside the Community. A system of greater currency stability which embraces most, if not all, those countries most help West German exporters (particularly smaller and medium-sized enterprises) to plan ahead and encourage investment which a less calculable business future would have delayed or ruled out.

This advantage would, of course, apply to all members of the new system—and some may feel that West Germany itself has little need of a further export boost. After all, the West German export surplus totalled DM 28.5bn in the first nine months of this year, against DM 28.3bn in the same period of 1977, as a whole. However, it is worth noting that while exports climbed by 4 per cent and imports by 3 per cent, by value, in the first nine months, the volume terms exports increased by 5 per cent and imports by no less than 7 per cent. Export value figures alone say little about the profit margins of the exporting companies. Likewise, West Germany should also be hard for, further increases in agricultural price support and more disciplined monetary policy, but otherwise its problems have become largely internal.

For a small, rich country that has benefited so much from the existence of the EEC, Belgium is now in a strange and paradoxical position. Despite its undoubted support for the European ethos it is domestically threatened by the language rivalry between its Flemish-speaking population and its francophone Walloons. At the same time, one of the richest and most capitalist nations of the Nine is increasingly vexed by economic problems that are calling into question not only the precepts of free enterprise but also of a public spending programme that has become a serious burden. Comfortable as life in Belgium must often seem to outsiders, the country is now embarked on a fundamental, if somewhat leisurely, re-examination of itself.

Within three weeks, if all goes according to plan, the Belgians will be going to the polls in a general election. A Government crisis sparked by the mid-October resignation from the Premiership of M. Leo Tindemans over the issue of his proposed "regionalisation" solution to the language problem could lead to a public

basket, and something more to West Germany's taste emerged—namely pledges of complementary economic and financial action by all participants. Further, Herr Schmidt and President Jimmy Carter were able to place their personal relations on a more friendly footing both immediately before and during the summit. That does not mean, of course, that all U.S.-West German bilateral problems have been solved. But it does mean that at the end of 1978 the atmosphere for dealing with those problems is much better than it was at the end of last year.

As for the West German "Ostpolitik," the key event was the visit to Bonn in May by the Soviet President, Mr. Leonid Brezhnev. Some were disappointed at the outcome, which appeared less concrete than hoped. But part of the answer to them came in November, when East and West Germany were able to conclude an important transport agreement which will bring a new autobahn link between the two countries. It is safe to say that this inter-German accord would not have emerged now if clear talking and broad agreement on future relations had not emerged at high level between Bonn and Moscow earlier in the year. The next major step must surely be a meeting between Herr Schmidt and the East German leader, Herr Erich Honecker.

In domestic politics, Herr Schmidt remains firmly in the saddle. Even some of those in his own party who were inclined to criticise him on grounds that his pragmatism

drove out longer term political vision have altered their view. Had the Christian Democrat (CDU) opposition won the State election in October, then the whole political pattern might have changed. But it did not—and the CDU's continuing failure to break the Government coalition is emphasising its own long-standing leadership problems. The next general election is scheduled for 1980. There is no currently foreseeable reason why the coalition would not last at least until then—with Herr Schmidt at its head.

Minister, expressed in London not long ago is certainly based on a track record of solid commitment to the European ideal. M. Thorn's somewhat scathing attack on the possibility of Britain seeking a "half-way" house" relationship with the proposed European Monetary System (EMS) comes, after all, from the leader of a country that has championed monetary union along those lines for almost 10 years.

Luxembourg is rarely troubled by national interests that bring it into conflict with its EEC partners. Banking and steel are the two main pillars of the economy, and while the latter activity is still in crisis, with the Grand Duchy's Arbed steel giant having recently announced that in the 18 months to mid-1978 losses that totalled LFR 6.1bn, the accent continues to be on co-operation. The only source of friction continues to be the uncertain future base of the European Parliament. At present split uneasily between sittings in Luxembourg and Strasbourg, there have been moves for next year's new directly elected Parliament to be established in a single and permanent seat, with Brussels making a strong bid. The possibility of losing the 1,500-strong secretariat that is based in Luxembourg prompted M. Thorn into an uncharacteristic threat early this year when he suggested that Luxembourg might block the 1979 direct elections.

Victory over inflation

BELGIUM AND LUXEMBOURG

Giles Merritt

OF THE EEC than in past years. It has two important areas of EEC policy that it is lobbying hard for, further increases in agricultural price support and more disciplined monetary policy, but otherwise its problems have become largely internal.

For a small, rich country that has benefited so much from the existence of the EEC, Belgium is now in a strange and paradoxical position. Despite its undoubted support for the European ethos it is domestically threatened by the language rivalry between its Flemish-speaking population and its francophone Walloons. At the same time, one of the richest and most capitalist nations of the Nine is increasingly vexed by economic problems that are calling into question not only the precepts of free enterprise but also of a public spending programme that has become a serious burden. Comfortable as life in Belgium must often seem to outsiders, the country is now embarked on a fundamental, if somewhat leisurely, re-examination of itself.

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debate in advance of the December 15 polling day that has been set. So far, however, the caretaker Government formed by M. Tindemans' own Defence Minister, M. Paul Vanden Boeynants, has managed to keep the issues out of the public domain. It is not so much a question of ducking issues that Belgian voters should be encouraged to discuss, say Belgian political observers, but of avoiding a damaging showdown over the language question that might otherwise lead to the country being split into two parallel communities, each a separate state within a federal Belgium.

But the likelihood of Belgium ever splitting into two halves, one Flemish and the other Walloon, still seems remote, and against the background of the country's growing economic difficulties it must be said that the language wrangle appears tedious and irrelevant. Despite its evident wealth and sophisticated industrial tradition, Belgium must contend with a difficult economic future.

There are three main problem areas: unemployment, public spending and the future of the Belgian franc. At 6.7 per cent, Belgian joblessness is now second only to that of the Irish Republic in the EEC league table. The chances of reducing that level appreciably are not high in the foreseeable future, for such traditional Belgian industries as steel and textiles are destined to contract sharply.

The size of the Belgian budget deficit is now causing growing concern. Although Government promises early this year stated that it would be pegged to BFR 85bn, it is likely to reach BFR 100bn for 1978 and the public sector borrowing requirement is now equivalent to 7.5 per cent of GNP. Financing the debt is likely to become more difficult, not because the Belgian state would ever be considered a poor risk but because there is mounting controversy over financing policy. Recourse to the domestic capital market has inflated interest rates and helped starve the private sector of funds. Recently the Government reversed a 10-year pattern of avoiding foreign indebtedness and negotiated a BFR 8bn loan from the Bank for International Settlements.

It is the problem of the Belgian franc, however, that most neatly sums up the country's difficulties. To maintain the Belgian currency's parity with the Deutsch Mark inside the joint float of the European snake, Belgium has committed itself to drastic deflationary policies and in the past year has spent an estimated BFR 100bn on defending the franc against speculation.

Belgium is tied to West Germany and Holland, which together account for almost 40 per cent of the BFR 1,344bn that Belgium earned in exports last year. External trade is vital, accounting for almost half of the country's GNP, and Belgium

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EUROPE X

Coalition brings more stability

ITALY
Paul Betts

HANS CHRISTIAN Andersen referred in one of his fairy tales to a decrepit house which had to be demolished but which remained standing because no one could decide whether to pull it down on the left or on the right.

This, put crudely, is the dilemma now facing Italy, governed by a political coalition that has survived for more than two years but which has always been distasteful to the main political parties and—according to recent local election results—apparently to the electorate at large.

The coalition formula, however, has given Italy during the last two years a relative degree of political stability at the same time as helping one of Europe's sick economies to get better.

It was the fruit of the inconclusive general elections of 1976 which left the country's main political parties, the long-ruling Christian Democrats, and the Communists, in a stalemate position.

In the face of the then dire economic crisis, which earlier that year had forced the Italian authorities to close the foreign exchange markets for six weeks

to protect the tumbling lira, there was little alternative except an emergency pact between the main political parties to put the country back on its feet.

At first, the opposition parties, including the Communists and Socialists, decided to support indirectly (through a policy of abstention in Parliament) a minority Christian Democrat Government led by Sig. Giulio Andreotti.

Subsequently, growing pressure from the left-wing parties for a greater voice in Government precipitated a Government crisis earlier this year. But the main parties seemed intent at all cost to avoid an early general election and a compromise was reached.

The concept of the emergency coalition pact was reinforced by a new parliamentary majority which saw, for the first time in some 30 years, the Communist Party directly supporting a new minority Christian Democrat administration, but still led by Sig. Andreotti.

In the process, and despite an unprecedented wave of political violence culminating last spring with the kidnapping and murder of Sig. Aldo Moro, the late Christian Democrat president and five times Prime Minister, the political forces decided to launch a major

economic and social recovery plan.

Political violence and other social tensions, particularly in the depressed south of the country, did not, or at least have not so far succeeded in destabilising the country's delicate political balance.

Indeed, there has been a recovery of international confidence and the so-called "Italian risk" has virtually disappeared.

The balance of payments has made a spectacular recovery. From a sizeable deficit two years ago, it is now expected to show a substantial surplus of some \$5bn this year. Inflation was reduced from levels of more than 22 per cent to a present annual rate of between 12 per cent and 13 per cent.

Under the surface, however, discontent has continued to grow. The improvements of the Italian economy, while helped along by the decline of the dollar, have been achieved at a price.

A tight corset of fiscal, monetary and administrative measures had to be imposed to stabilise the lira, putting the squeeze on domestic consumption and growth, which has averaged barely 2 per cent during the past two years.

In turn, unemployment increased. The official figures (which say that 1.6m people are unemployed), only tell part of

the story. More than 70 per cent of the total is made up of young people.

The widespread phenomenon of double work and so-called "black labour," together with the substantial excess of workers now employed in the State sector industries and the large numbers on State subsidies salaries disguise the enormity of the problem.

The situation is exacerbated by the continuing financial crisis of leading groups in key sectors like the chemical and steel industries.

Chaos

It has repercussions in the country's school and university system which is in a state of permanent chaos. It has made the suburbs of the major cities, with their heavy concentration of immigrants from the south, and the universities into fertile breeding grounds for crime and political violence.

In the south, where despite the efforts of industrialisation many archaic structures persist, unemployment is causing increasing social strains, particularly in a city like Naples which has now virtually reached breaking-point.

In its medium-term (1979-81) Recovery Programme presented in Parliament this autumn, the Government intends to create some 600,000 new jobs during the next three years.

But the plan to give the coun-

try sustained and stable growth in coming years hinges on the Government's ability to tackle the fundamental structural problems of the economy, including a reduction in the continuing increase of the public sector borrowing requirement on one hand, and of labour costs on the other.

The political parties supporting it agree in principle at least to the Government's ambitious objectives. But despite this general political consensus, they find it equally hard to agree on specific reforms like, for example, a reform of Italy's chaotic pensions system.

For their part, the trade unions have so far greeted with mixed feelings the Government's insistence for wage restraints to prevent any real increases in wages during the next three years.

This attempt to introduce an incomes policy is an integral part of the Government's recovery programme.

But while some union leaders, including Sig. Luciano Lama, the secretary general of Italy's largest and Communist-dominated labour confederation, have accepted the need to moderate wages in the imminent round of labour negotiations involving as many as 10m workers in order to maintain the competitiveness of Italian exports and release investment funds for the depressed south, the union rank and file is giving

little evidence of sharing its sentiment.

At the same time, the large union confederations are also coming under increasing pressure from the so-called "autonomous" or non-aligned unions, which place the emphasis on salary increases and have recently caused considerable havoc in a number of key public services like hospitals and transport.

Although all the main political parties claim that they do not favour opening yet another Italian Government crisis at this stage, since it would not solve the country's current problems, they are nonetheless showing signs of nervousness.

This, in many ways, is the general of the ruling party consequence of the present political coalition which, from the balance of Christian Democrat factions within the Cabinet, Sig. Donat Cattin claimed the right to elect his successor, although individual political parties themselves.

The Communists find the formula uncomfortable for a combination of reasons, not least its apparently damaging effect on their electoral position which, in recent local polls, has declined for the Christian Democrats. It has caused growing rifts inside the Party between those factions opposed to the current dialogue with the Communists and those who adopt a more open approach.

As for the Socialists, they appear to be using the complexities and ambiguities of the pre-

sent political situation to attempt to regain the ground they lost in the June, 1976, general election.

These various tensions are simply reflected in the recent accumulation of political crises, which also involve internal rows within the trade union movement as a whole, now threatening to undermine the governing coalition.

An example is the difficulty Sig. Andreotti, the Prime Minister, has faced over a minor Government reshuffle following the need to appoint a new Industry Minister to replace Sig. Carlo Donat Cattin, the appointed deputy secretary.

To maintain the present balance of Christian Democrat factions within the Cabinet, Sig. Donat Cattin claimed the right to elect his successor, although individual political parties themselves.

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number of occasions this year when the electorate has been called to express a judgement on key social and political issues, such as the referendum on public order and on the public financing of political parties, or in local polls.

The results of the regional elections in the northern region of Trentino Alto Adige at the end of last month (however much tainted by local issues) is the latest indication of this trend.

All the main parties, including the Christian Democrats, the Communists, and the Socialists, lost ground to new smaller political groupings and to local autonomous parties.

Even the leaders of the large national parties interpreted with some measure of anxiety the results as something of a vote of protest against them.

In the face of all this, the country's current political and economic situation appears to be increasingly fragile each day.

None of the parties like the present political formula, but none want to be blamed for precipitating a Government crisis.

In any event, even if such a crisis effectively occurs in the not too distant future as many are now predicting, it is difficult to see whether the house will fall to the left or to the right—or indeed be substituted by a similar if superficially different one.

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THE U.K.
Malcolm Rutherford

IT HAS been an interesting but not a happy year for Britain, and all the indications are that 1979 will be much the same. For one of the side effects of incomes policy is that everything begins to happen as if it were to a formal pattern.

In the early summer the Government sets its guidelines—this year for wage settlements of 5 per cent with some small scope for flexibility. In the summer proper there is a lull. In the autumn there is talk of strikes and of the bleakness of winters ahead. By the spring, however, some of the worst predictions have not been fulfilled—last year, for example, the Government set a guideline of 10 per cent, saw earnings rise by 16 per cent, and reckoned it a modest success.

Thus, as the summer approaches, the Government is ready to try again with a new target and a new effort at securing trade union agreement. Soon, it seems, we shall be measuring the years no longer by seasons but by phases of the incomes policy.

The pattern extends over a longer period too. For more than two decades Britain has been in and out of some form of incomes restraint. What has never been managed successfully is the so-called re-entry—the return to free collective bargaining. It is perhaps aware of this that makes the present Government so reluctant to give up its attempts to achieve a formal policy. It has no reason to believe on the basis of past experience that a return to the market place will lead to anything other than renewed inflation.

The problem has not been solved in the opposition Conservative Party either. In theory, the party is committed to ending incomes policy in its formal sense. Discipline would be imposed by control of the money supply and by setting cash limits in the public sector. There would be something like a German-style concerted action in which the government of the day could put across its views on the economy and discuss the outlook for the future with both sides of industry (not yet called, as in Germany, the "social partners").

But, in practice, the Party is divided. Mr. Edward Heath, the former Conservative Prime Minister, has come out in more or less complete support of the present Government's policy. 5 per cent guidelines and all. Others in the Party lean towards Mr. Heath without going quite as far. The views of the Confederation of British Industry, the principal employers' organization, are ambivalent. It is broadly in favour of the 5 per cent guideline, but is inclined to think that this can be achieved without too much Government interference. There is, in fact, no evidence that this can be done.

The test case so far this year has been the Ford Motor Company, partly because its wage claim comes up very early in the annual round and partly because it is a very large and—at the moment—profitable employer. The company offered 5 per cent in accordance with the official guideline. There was an immediate walk-out, even though the existing contract still had a month to

run, and work at all Ford plants in the country was at a standstill for nearly eight weeks. The company sought a way out, as allowed by the pay policy, by offering a further increase in return for a productivity agreement. The terms of that offer were rejected virtually in toto, and in the end the company settled for 17 per cent with only a minimal productivity element in the deal.

Yet, in a curious way, this is where the attempt to look on the bright side begins to set in, however. The argument goes roughly as follows: the Ford settlement before with unhappy results may have been high, but it has not yet become a norm. Every body knows that Ford is a then backed off at the last profitable concern. In that minute because of union opposition it is quite different from (say) British Leyland, where from within its own ranks. The evidence of some 1970-74 actually introduced a restraint that Leyland workers are prepared to settle for less, embittered by relations still.

Indeed it is quite true that there have been a few cases recently where workers have refused to support what they regarded as exorbitant demands by their shop stewards. The workers at some of the Vauxhall plants, for example, declined to go on strike when asked, and that is seen as an encouraging development. All that is a far cry, however, from fundamental change. The Vauxhall settlement was still 8 per cent, and that from a company barely making money.

Perhaps the one real sign of change under the surface is the growing feeling that somehow or other the country will again have to face up to the question of the structure of its industrial relations. In other words, the fact that there was a 17 per cent settlement at Ford may have

been less significant than the fact that the unions marched their men off the job even before the pay negotiations had begun, and when the old pay agreement was still in force. It may be that that is the real source of the anxiety.

Reforms

Both the Government and the Conservative Party seem to be moving tentatively towards that conclusion. The trouble is, however, that industrial relations reform has been tried before with unhappy results. The Labour Government of 1968-70 moved towards it, but body knows that Ford is a then backed off at the last profitable concern. In that minute because of union opposition it is quite different from (say) British Leyland, where from within its own ranks. The evidence of some 1970-74 actually introduced a restraint that Leyland workers are prepared to settle for less, embittered by relations still.

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As in almost every previous British upswing, the consequence has been a sharp increase in imports. The only reason why that is not reflected in a balance-of-payments deficit is that the country is now half-way towards self-sufficiency in oil supplies. It cannot therefore be said that the oil is being used to bring about the "regeneration of British industry" to use a phrase much employed by the present Government.

Nearly all recent forecasts, moreover, are that Government economic policy will shortly become more restrictive. The minimum lending rate rose 2½ points to 12½ per cent on November 9, and is expected to rise still further. There is also talk of restrictive fiscal measures in the not-too-distant future. The growth rate next year is expected to fall.

It is perhaps strange in the face of all this that the Government remains reasonably popular. Against nearly all expectations, Mr. James Callaghan, the Prime Minister, chose not to hold a general election in October on the grounds that he could not be certain of winning. He will now have to go to the country by October next year at the latest.

Superficially, there are so many predictions of failure in the wind that it might be assumed that opinion must turn against him. Rhodesia might blow up at any time leading to a wave of sympathy for the Rhodesian whites among large sections of the British population. That would almost inevitably hurt the Government. It is also less than clear that

the Government's handling of the proposed European Monetary System has been very confident. Mr. Callaghan has been inhibited by his own left wing, which has become steadily more anti-European, although in that it perhaps reflects the feeling of the country as a whole. Not least, it is possible that the predictions of a winter of strikes and discontent will this time come true.

Yet there remains something in the Prime Minister's approach which seems to fit the present mood of Britain. The mood is cautious. There is a reluctance to take big risks. Mr. Callaghan, the Conservative leader, by contrast, seems to offer the promise, or perhaps the risk, of stirring things up. Even the City, which will vote Conservative almost to a man, is alarmed at such a prospect. What it would like would be for Mr. Callaghan himself to become a Conservative. That is, of course, impossible, but it reflects the idea—prevalent about Helmut Schmidt in West Germany—that James Callaghan is the best Conservative Prime Minister we have.

There is one point that should never be forgotten. To the outsider, it might seem that, either for better or for worse, Britain has not changed very much over the past few years. Talk to the man in the street, however, and you will discover a different view. It is that the country has changed too much and too fast, whether the reason given be decolonisation, immigration, or membership of the European Community, or all three. Those who offer radical reform therefore have a less than receptive audience.

moreover, a peculiarly difficult economic and political problem in its persistent high level of unemployment. Officially 9 per cent of its workforce are jobless. However, since this total excludes school leavers, married women and some farmers, as well as ignoring a number of emigrants, it certainly understates the case. Some economists put the true level of unemployment at 13 per cent, a rate which in a small workforce of 1.1m would probably be felt to be intolerably high anywhere in Europe. The problem is going to be aggravated by the fact that Catholic Ireland, now also, has the fastest growing population in Europe and could have 4.3m people by the end of the century against just over 3m now.

Ireland is beginning to prosper as the fundamental changes of the past decade take effect. This year the economy should grow by 6.5 per cent in real terms, making it the fastest growing in Europe. Manufacturing output is expected to rise by between 10-11 per cent this year, according to the Ministry of Economic Planning, new investment in manufacturing by 20 per cent.

In large measure the buoyant conditions can be attributed to Ireland's membership of the EEC. Ireland's 180,000 farmers have benefited enormously from the good prices under the Common Agricultural Policy. 25 in the world in terms of Fair incomes have soared. Their visions or even telephones per head it is probably half as wealthy as, say, France. It has year. The wealth, moreover, has

With the level of violence in the province dropping for most of 1978—the recent spate of IRA bombings notwithstanding—and with Ulster appearing to recover a little economically and psychologically, the Dublin Government appears content to let the issue simmer on the back-burner. It wants to be consulted but is happy to await a British initiative.

There are many Irishmen who welcome this cooling off on the Northern question, feeling that the Government has much greater priorities to concern itself with. Not least of these is the question of the EMS and the much deeper issues it involves in terms of the country's economic management and whether ultimately it wants further integration with Europe.

Ireland remains the poorest of the EEC countries, ranking 25 in the world in terms of GNP. It measured by cars, televisions or even telephones per head it is probably half as wealthy as, say, France. It has year. The wealth, moreover, has

A major preoccupation

IRELAND
Stewart Dalby

Dublin Correspondent

IT WAS inevitable at some stage in the long and complex arguments about Ireland joining the European Monetary System (EMS)—something which appears to be the Government's major preoccupation at the moment—that Mr. Jack Lynch, the Irish Prime Minister, would make the issue of Ulster prominent among a litany of reasons why the Republic could possibly not participate.

If the UK refused to join and Ireland pressed ahead with its application for membership, this would drive a further wedge between the two countries over Northern Ireland, and make reunification of the island—the avowed, irrevocable aim of Mr. Lynch's ruling Fianna Fail Government—more difficult.

Republicanism is as indelibly ingrained in the Fianna Fail Party as the words in seaside rock. There are those who would even argue that its adherence to the idea of reunification and the creation of a federal basis, if only on a return to power in a landslide victory in the general election of June, 1977.

Ostensibly, it was the electoral bribes in terms of tax cuts, as well as a promise of good economic times, which now appear to be materialising, even though the existing contract still had a month to

run, and work at all Ford plants in the country was at a standstill for nearly eight weeks. The company sought a way out, as allowed by the pay policy, by offering a further increase in return for a productivity agreement. The terms of that offer were rejected virtually in toto, and in the end the company settled for 17 per cent with only a minimal productivity element in the deal.

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Important changes on the horizon

GREECE

By our Athens Correspondent

THREE MAJOR developments in the coming year are expected to have far-reaching effects on the political and economic future of Greece.

The first is preparation for EEC membership. The second is the settlement, one way or another, of the relationship of Greece with NATO and its later association with the country's disputes with its neighbouring Turkey in the Aegean.

The third factor is the possibility that the Prime Minister, Mr. Constantine Karamanlis, may decide to step up to the presidency and leave the field open to his successor in the leadership of the ruling New Democracy Party.

Although the toughest part of the Greece-EEC negotiations (concerning agriculture, labour movement and the length of the transitional period to follow full membership) is expected to be tackled this month, most of the main issues have been settled and the accession agreement should be signed by mid-1979.

After ratification of the treaty by the Parliaments of the member States, Greece should formally become the tenth member of the Community by January 1, 1981, at the latest.

Over the last 15 years, Greece has fulfilled its obligations under the Association Agreement with EEC and has considerably "adapted" its economy to suit that of other member states. The delay in the harmonisation of Greek agricultural policy with the Community's common agricultural policy has been mainly due to the seven-year interruption during the military dictatorship, when the Association Agreement was frozen by the community.

Greece is now seeking to limit the transitional period, after full membership, to no more than five years.

As the Government sees it, Greece's advantages from its accession to the EEC are both political and economic. Political advantages include the opportunity for Greece to participate in the collective bodies of the Community and thus be able to influence both economic and political decisions. At the same time, the Government feels, democracy will be consolidated at home on the basis of the principles of the European democratic institutions.

Economic advantages include the substantial benefits that the Greek economy will enjoy by gaining free access to the vast and unified European market and obtaining the advanced technology of its EEC partners. Greece will also be given considerable assistance under the Community's common agricultural policy in tackling the problems of its agricultural sector.

In addition, Greece will be able to benefit from the various financial facilities extended to member countries through the Community's funds and banks.

It is estimated that from these funds Greece will receive a net amount of about \$40m a year. This sum will not include the financing of Greek business firms by the European Investment Bank.

Under its Association agreement, Greece has received a loan of \$125m, the bulk of which was absorbed before the 1967 army coup. A new loan of \$350m has been approved.

The Panhellenic Socialist Movement (PASOK) of Mr. Andreas Papandreu and the Moscow-oriented Greek Communist Party (KKE), which together polled 35 per cent of the votes in the general elections of November 1, 1977, are opposed to EEC full membership.

Mr. Papandreu prefers a special agreement between Greece and the EEC similar to that enjoyed by Norway, claiming that such an agreement would guarantee effective

national control of the country's external trade and foreign investments in Greece.

The Government has said it considers the results of the 1977 general elections as an endorsement of its EEC policies and does not intend to hold a referendum on the matter. A retired rear-admiral recently suggested, in an article that since no one knew which party would be in power five years hence, national tribulations could be avoided if a referendum were held, the results of which would be binding on all parties.

PASOK and KKE have so far refrained from openly calling for a referendum on the issue, but they may be biding their time. The other opposition parties are "in favour of accession."

The negotiations for Greece's return to NATO under a special status are more problematic because of Turkey's insistence that the question of who controls what in the Aegean, where it is seeking an increased role, should be settled first.

Pride

When Greece withdrew from the military wing of the Alliance in the summer of 1974 in protest over the Turkish invasion of Cyprus and NATO's failure to stop it, the move redressed national pride and assuaged public opinion at home. A more pragmatic reason which made that decision necessary was self-defence, with Cyprus occupied, Greece herself could not feel safe in the absence of complete control over her own forces.

In retrospect, the move may have been a hasty one. The expectation that Greece's protest move would have prompted Turkey's allies, and especially the United States, to persuade Ankara to withdraw her troops from Cyprus remains unfulfilled and Greece has now found herself in a less favourable position.

The move allowed Turkey to put forward claims in the Aegean, where, in addition to the delineation of the continental shelf, it is now seeking a re-delineation of the zones of responsibility.

Under the special relationship proposed by Greece, the Greek armed forces would remain under national command, except in an East-West conflict when they would be re-integrated into the NATO command.

A NATO ground and air headquarters would also be set up in Larissa, Central Greece, under Greek command, to balance the Turkish-run land and air command in Izmir.

The two separate headquarters would in turn be connected to the NATO headquarters in Naples, Italy. This device would make Greece's withdrawal all but nominal, but help the government save face.

The road to such an arrangement is, however, being blocked by Turkey which is asking that the legal status of the Aegean should be settled before Greece returns to the military structure of the Alliance and that the areas of naval command and zones of air control in the Aegean be redefined.

Mr. Karamanlis has said that Greece has no intention of negotiating its special status with NATO on the basis of conditions put by Turkey and that Greece is in no hurry to return to the Alliance.

Observers point out that what over concessions are made to Turkey in the Aegean will be a net gain for that country because that the Government's face-saving manoeuvre for a special status with NATO has been overpriced.

All it has done, they say, is to give Turkey an excuse for pressing its claims by vetoing such an arrangement. These tactics, it is believed, could succeed since NATO planners are deeply worried by events in Iran and consider the restoration of stability to NATO's south-eastern sector to be of paramount importance.

They are, therefore, expected

to press both Greece and Turkey to accept a compromise solution which would give Turkey advantages it never had before Greece's withdrawal from NATO.

They also point out that one way out of this dilemma would be for the Government to return Greece to NATO as a full member, thus depriving Turkey of its arguments.

However, both PASOK and KKE are clamouring for Greece's complete withdrawal from NATO and the closing of the American military bases operating in Greece under the NATO umbrella.

Their anti-NATO and anti-American stand and the declared policy that "Greece belongs to the Greeks" (as opposed to Mr. Karamanlis' dictum that "Greece belongs to the West") won them votes in the last general elections.

They now point out that in 1974 the Government declared that Greece would not return to NATO so long as the reason which prompted its withdrawal — the occupation of 40 per cent of Cyprus by Turkish troops — still existed.

Vital

This is no longer deemed to be a prerequisite in the negotiations for Greece's return to NATO.

Also, the Government has repeatedly declared that the Cyprus issue is not a Greek-Turkish problem and it cannot, therefore, affect relations between the two countries.

Although the Government tried to minimise the importance of the results of last October's municipal elections, political analysts drew a number of conclusions. The first was that Premier Karamanlis' attempt to absorb the disintegrating Union of the Democratic Centre (EDYK) party has failed, at least in terms of votes.

Another was that the KKE used the municipal elections to measure its present strength. In Athens, where it had polled 11.5 per cent of the votes in the general elections a year earlier, its candidate, composer Mikis Theodorakis, received 16 per cent.

Although Mr. Theodorakis' personal appeal may have attracted non-Communist votes, the KKE made its point. It proved to PASOK that co-operation between the two was vital; the opposition won almost all the mayorships where a "popular front" had been formed.

More important, a "popular front" with the co-operation of the Communists, a post-war political bogey in Greece, does not seem to frighten voters any more.

The furor caused by the possibility of a junta sympathiser winning the mayorship of Piraeus showed that the Greeks are not ready to easily forgive and forget the military dictatorship which deprived them of democratic rule for seven years.

Despite Government denials, Mr. Karamanlis' initiative earlier this year to appoint liberal politicians to key Cabinet posts, in an effort to change his image as a right-winger, has apparently created dissent within his New Democracy Party.

The appointment of Mr. Constantine Mitsotakis (whose Neo-Liberal Party won a mere 1 per cent of the votes in the general elections and has since been dissolved) as Minister of Co-ordination (the senior economic Ministry) has especially caused friction since it puts him in a good position to vie for the Party's leadership — and the Premiership if, and when, Mr. Karamanlis decides to step up to the Presidency.

The scenario now being put forward by political Cassandra is that if Mr. Karamanlis leaves the helm, the Party will be split into two groups — one under Mr. Mitsotakis representing the liberal section, and the other under Mr. Evangelos Averoff-Tossitsas, the Minister of Defence, representing the traditional right wing.

Mr. Karamanlis' intentions concerning the Presidency should become evident some time in 1979. The five-year term of President Constantine Tsatsos expires in May, 1980, and it is unlikely that Mr. Karamanlis, now 71, will pass up the chance for another five years.

He is likely to make his intentions known after the EEC accession agreement (which he sees as the crowning point of his career) is signed. His no nonsense political stature has kept party cohesion and his departure could weaken the conservatives and give Mr. Papandreu the chance to further increase his strength.

On the economic front, the main problems remain inflation, the scarcity of investments, and low productivity. According to Prof. Xenophon Zolotas, Governor of the Bank of Greece, GNP is expected to increase by 6 per cent this year (compared with 3.9 per cent in 1977); industrial production should rise by about 5 to 6 per cent (against 4.3 per cent last year); and agricultural output should increase 7 per cent (after falling 4.9 per cent last year).

Inflation is being contained at 11.5 per cent (from 12.8 per cent last year), as a result of anti-inflationary measures applied by the Government and voluntary price freezes. Productivity is expected to increase by 3 per cent (it fell 1.2 per cent in 1977).

The draft of the five-year plan for 1978-82 predicts an average annual increase of 8 per cent in GNP, 7.5 per cent in industrial production, 3.5 per cent in agricultural output and 9.3 per cent in investment.

Recently announced measures for more effective taxation are expected to increase state revenue and help balance the budget, heavily burdened by defence expenditure running at about 22 per cent of total expenditure and high civil service expenditure which takes up another 40 per cent.

Investment continues to be minimal and it remains to be seen whether a package of investment incentives now before Parliament will manage to convince foreign investors (who have adopted a wait-and-see attitude because of the Government's heavy state intervention) and Greek industrialists (disgruntled over the Government's repeated one-off special taxes which hinder proper planning) to change their minds.

The Government's intention to restrict wage and salary increases to 12 per cent next year is likely to cause labour unrest.

In view of the country's impending accession into the EEC, the Bank of Greece is organising for the first time an inter-bank foreign exchange market. By the end of this year, several banks in Greece will be connected to the Reuter Monitor System, a computerised network linking over 2,000 banks and financial institutions around the world, which will allow them to deal in foreign exchange, a departure from the present strictly controlled foreign exchange regulations.

The Bank of Greece will intervene to keep the foreign exchange rate of the Drachma within the margins of the Government's foreign exchange policy.

An agreement is expected to be reached later this month with the EEC which will bring the Greek drachma into the "basket" of currencies used to compute the European Unit of Account.

In the first nine months of this year, the country's current account deficit increased by 27 per cent to \$1,024m. Imports were up 15 per cent to \$5,446m, while exports, suffering from international recession and low productivity at home, rose by only 9 per cent to \$2,099m.

The trade gap of \$3,347m was largely covered by invisible earnings (tourism, shipping, emigrants' remittances) which increased 16 per cent to \$3,084m.

The country's foreign exchange reserves at the end of October stood at \$1,171.4m, up \$125.7m from the beginning of the year.

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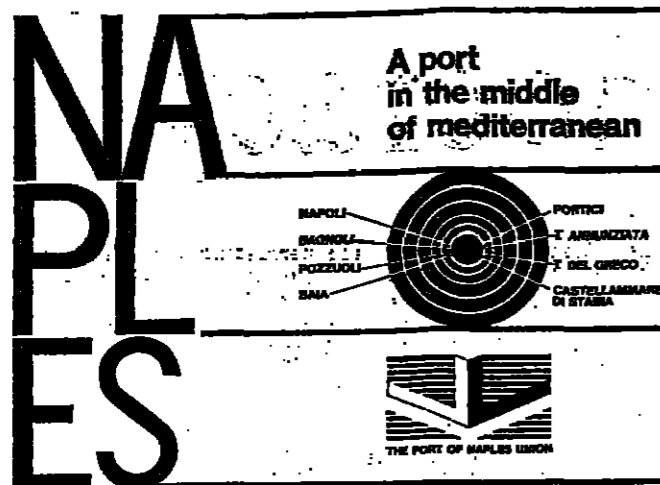
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Labour casts a shadow

DENMARK

Hilary Barnes

Copenhagen Correspondent

ALMOST EVERYONE now expects that in April there will be a major strike conflict in Danish industry. In the public sector, too, it is possible that strikes will break out as a number of chickens launched into the air with the unsuccessful 1977 stab at incomes policy come home to roost. The police are threatening to strike (it would be the first time). The teachers are talking about a work-to-rule, and other groups are expected to join the militant grousing as winter deepens.

The labour market problems cast a shadow over the first part of 1979. Not only will conflicts add to the country's economic problems, but they will present a severe test of the cohesion of the Social Democratic-Liberal Government which was formed in August.

In the private sector it has long been clear that the biennial collective wage negotiations would be exceptionally difficult. The Employers' Federation has demanded a wage cut for the first time since 1932, as well as an end to wage indexation. The TUC, for reasons which will emerge, has not formulated its wage claims, but the major unions have made demands which, if met, would put 20-30 per cent on hourly wage costs. The demands include a cut in the working week from 40 to 35 hours and an increase in the four-week annual holiday to five weeks, wage increases and improved indexation arrangements.

The TUC, however, which negotiates collective agreements on behalf of member-unions, demanded that unless "economic democracy" or wage-earner co-ownership, was placed on the negotiating agenda, it would refuse to discuss wages. The employers flatly refused on the ground that they cannot agree to negotiate away the property rights of members.

The wage negotiations therefore never got to first base

before they broke down. There is still plenty of time in which matters can be patched up. The current agreements expire on March 1 and according to the normal negotiating procedures the final break can be put off until early April. But it seems that TUC chairman Thomas Nielsen is openly seeking a conflict, declaring that in this case the Folketing will have to intervene with an incomes policy solution and that the unions will not agree to incomes policy except in return for economic democracy.

When the TUC talks about economic democracy it is talking about a proposal it put forward in 1973, and which was actually presented to the Folketing as a Bill by the then Social Democratic minority government, but an election defeat stopped the Bill from going forward. According to this proposal, a compulsory system of wage-earner co-ownership would be established for all employees in the public and private sectors.

The outcome of the wage negotiations is clearly crucial. The coalition Government was formed in August to introduce a greater element of stability to economic policy as well as to the political scene, and the central pillar of Government economic strategy is an incomes policy which can reduce Danish

inflation rates and restore competitive ability. The Government plans to call the parties in for tripartite incomes policy discussions, but is keeping very quiet about its intentions otherwise. If the TUC persists in heading for a conflict, the Government may well let the unions take the consequences of their obstinacy and only intervene after a strike has broken out, if at all. In any event it promises to be a testing time for the coalition.

If labour market problems do not create too much trouble (and Danish problems have a characteristic way of outwardly appearing far more serious than they really are), the economy should perform rather better in 1979 than in the past two years. Since the autumn of 1976 the economy has been under the restraint of tight fiscal and monetary policies made necessary by a weak balance of payments position. The current balance has been in deficit in

every year except one since 1960, and the net foreign debt by the end of the year will be close to Kr 60bn or 20 per cent of GDP. A steady reduction of the deficit year by year is a cardinal point of Government policy.

It now seems fairly certain to achieve its objective for this year, a reduction of the deficit from Kr 10bn in 1977 to Kr 7.5bn, or from about 3 per cent to 2.1 per cent of GDP. The target for 1979 is a deficit not exceeding Kr 6.5bn.

The inflation rate has fallen markedly this year, though chiefly as a result of falling prices for imported raw materials and less because domestic costs are under control. Consumer prices over the year will probably rise by about 7 per cent this year, although the year-on-year average increase will be at least 10 per cent. Next year the Government believes that it can hold the increase to about 9 per cent out of work.

cent, but banks and other independent forecasters are predicting about 8 per cent.

The Government's fiscal policy allows for a rise in real private consumption of between 1 and 2 per cent next year after no rise in 1978. This, together with a slight improvement in housing and business investment and exports, should enable GDP growth to move up from about 1 per cent this year to between 2 and 3 per cent next year.

However, non-government forecasters fear that this will lead to a new deterioration in the current balance of payments, and the necessity of further squeeze measures. As Copenhagen Handelsbank said in a recent survey, the current deficit will probably not be eliminated until the mid-1980s. Policies will also have to be applied, which implies a poor outlook for the 8 per cent of the labour force currently out of work.

Payments

The means would be the payment of a percentage of the wage bill plus a percentage of net profits to an investment fund, controlled by the union movement, by all companies with 50 or more employees. Two-thirds of the company contribution would remain in the company as wage-earner equity capital, carrying full voting rights. Over a period of years the wage-earners would accumulate a vast fund and a dominant share of corporate equity capital. All wage and salary earners would receive an annual certificate representing their holding in the central fund. The certificates would be redeemable after a period of years at its current value.

There is no possibility of obtaining a majority for this proposal in the current Folketing, which was explicitly recognised by Prime Minister Anker Joergensen when he formed the coalition with the Liberals in August. There is little popular support for economic democracy either. So what Mr. Nielsen really expects to obtain remains somewhat mysterious.

The main elements of the current difficulties are the economic crisis and political violence. So far this year more than 600 people are believed to have lost their lives in the blood feud between extreme left and right-wing factions. Countless people have been wounded or arrested. Nearly 2,000 await trial in jails which have recently turned into arenas for violence.

The roots of the violence are complex and often impossible to fathom. It manifests itself from common hit-and-run murders to hijacking the ferries which shuttle between the European and Asiatic sides of Istanbul.

The principal purpose of both Right and Left appears to be to bring about the overthrow of the Government and after that of democracy. So far, however, the terrorists have achieved little except to keep alive a general feeling of gloom and despondency.

TURKEY

Metin Munir

Ankara Correspondent

AFTER PAKISTAN, Afghanistan and Iran is it Turkey's turn to take the plunge from turmoil to chaos and from chaos to uncertainty? The briefest answer to this question is that Turkey may barely escape by the skin of its teeth. Although sharing many drawbacks of underdevelopment with these northern tier countries Turkey is blessed with two advantages—a fairly strongly rooted democracy and an army which has no dictatorial aspirations. These, coupled with the resilience of the economy and the people, may well see Turkey through what is without any doubt one of the most difficult periods of its history.

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What must provide the terrorists with a lot of steam

is the economic crisis, which gives them a bad situation that they can make worse.

On the economic front Mr. Ecevit's record is more impressive, although it is not yet possible to say that he has prevented Turkey from sliding into a prolonged slump. He was quick to respond to the crisis which he found in full swing when he came to power last January. He adopted a stabilisation programme whose principal features were a substantial cut in public demand in real terms, credit restrictions, higher prices for state-manufactured goods, a reduction in the import volume and a devaluation of the Turkish lira by 23 per cent in relation to the U.S. dollar. Afterwards, he reached an agreement with the IMF for a standby loan of \$450m over a two-year period towards bringing external account relief.

Mr. Ecevit is accusing Mr. Turkey's youthful supporters, the Commandos or Grey Wolves as they are popularly called, of constituting the right-wing front of the political blood feud. He has tightened up security to the extent that there is a soldier with an automatic rifle in front of every bank in Istanbul. He has also tabled a Bill for tightening up legislative measures. The overall result of his efforts to date, however, remains unimpressive—hardly a day passes without a political murder, and a situation has now been reached in which such murders create as much stir as traffic accidents—for which Turkey holds the world record. Unless Mr. Ecevit declares martial law—and he is adamant not to do—it is unlikely that he will be able to obtain a substantial reduction in deaths from political violence in which, barring Iran and the Lebanon, Turkey is also world leader.

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What must provide the terrorists with a lot of steam

YUGOSLAVIA

Aleksander Lebl

Belgrade Correspondent

Anthony Robinson

East Europe Correspondent

THIS HAS been an eventful year for Yugoslavia. In foreign relations Belgrade hosted the follow-up meeting to the Conference on Security in Europe (CSCE) and the ministerial conference of the non-aligned movement, and welcomed a host of foreign visitors ranging from Chairman Hua Kuo Feng to Mrs. Thatcher and Prince Charles. At home the continuing vitality of 86-year-old President Tito and the leading role of the League of Communists were underlined at the eleventh party congress in June, which endorsed Yugoslavia's independence and non-alignment in foreign relations and self-management in domestic affairs.

Neither of these policies are easy to conduct. At the ministerial non-aligned conference, held to pave the way for the non-aligned summit conference in Havana next year, Yugoslavia led the opposition to what it sees as an attempt by the Soviet bloc to split the non-aligned movement and transform it into a group of progressive countries linked with the "socialist community." Yugoslavia showed its deep concern, in particular, at the Cuban-Soviet policy in the horn and other parts of Africa and the way in which Sino-Chinese rivalry was developing in South-East Asia.

In a hard hitting speech at the Yugoslav Trade Union con-

ference last month President Tito also underlined the importance of a strong economy in the maintenance of Yugoslav independence. He strongly criticised some of the negative tendencies, developing in the self-management system. He singled out excessive investment unmatched by adequate finance, the tendency to put higher employment and higher wages before increases in productivity, a tendency towards "bureaucratic and technocratic" methods rather than collective responsibility and the problems caused by inflation of 15 per cent and the continuing deficit in the balance of payments.

These are to a large extent problems of growth. The economy is half-way through the current five-year plan aimed at developing the energy and raw material base of the economy, improving transport and other infrastructure as well as developing a self-sufficient agriculture—which has now been achieved—and a competitive industry.

Investment is running at a high level—a total of some 30,000 projects worth a total of \$30bn when complete are under way—but this has led to both overheating and a strain on the balance of payments. Industrial production is running at an annual growth rate of over 8 per cent.

To dampen the economy down the central bank imposed a credit squeeze in July, and moves are now under way to persuade the individual Republican governments and enterprises to modify their plans for 1979 and aim at 6 per cent growth and higher priority for exports.

Thanks to the credit squeeze, tight controls on imports and the running down of stocks, the trade deficit is expected to be

marginally lower at around \$4bn this year compared with \$4.3bn last year.

But Yugoslavia is also putting its hopes on current negotiations with the EEC for the conclusion of a "sui generis" agreement to succeed the five year agreement which expired this autumn. Yugoslavia insists on the term "sui generis" rather than preferential, because, although it is in effect seeking preferential terms of entry for its industrial and agricultural goods in order to reduce a deficit of around \$2.5bn on its EEC trade, both sides have agreed to search for a formula which in no way infringes Yugoslavia's non-aligned status.

Both sides are aware that Yugoslavia has to be able to step up its trade with the EEC if it is to retain what Yugoslavia considers a properly balanced ratio of trade with the OECD countries generally and with Comecon. So far this year trade with Comecon has again risen considerably, while trade with the EEC has declined.

EEC Foreign Ministers were unhappy with the original draft negotiating mandate submitted to them in October, and the negotiations look like being protracted—baby beef, rennery products and social security and Community access questions for Yugoslav emigrant workers are some of the main stumbling blocks.

Yugoslavia's biggest EEC trading partner, and the country with whom it has the largest deficit, is West Germany. Most deny for the president of the of Yugoslavia's emigrant work-

are a major contributor to the balance of payments.

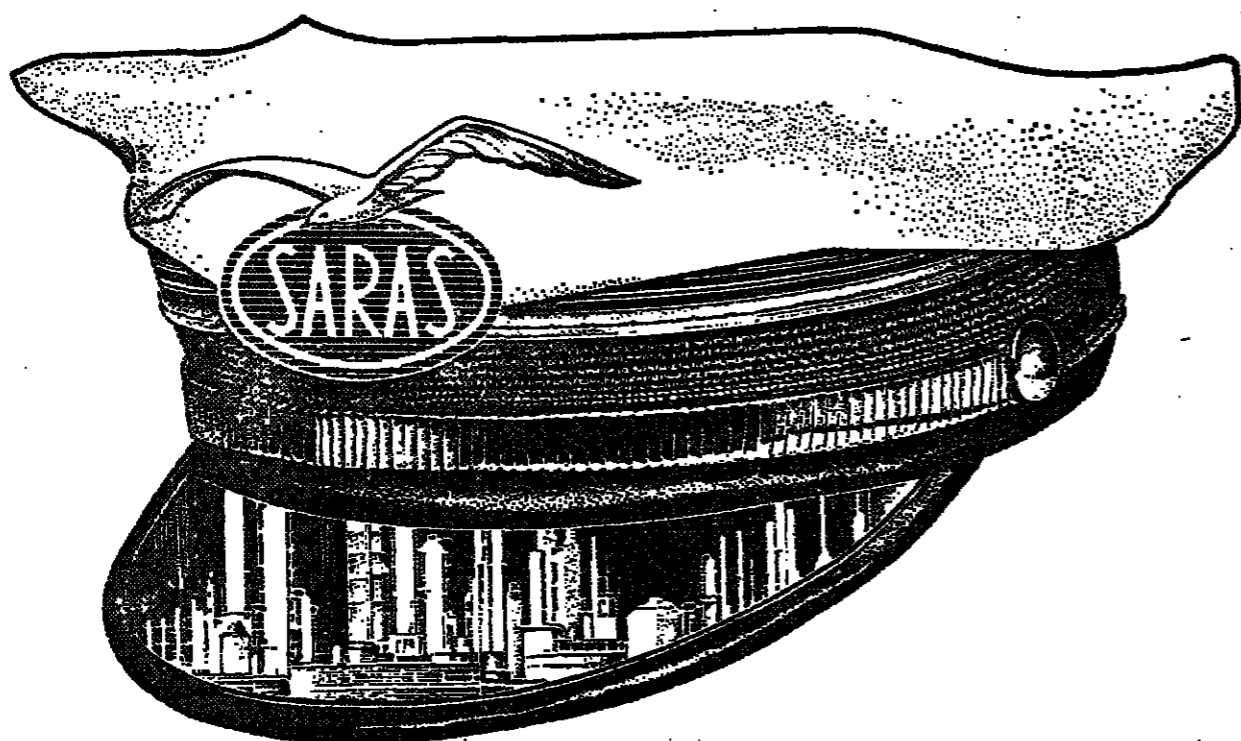
In spite of this, however, Yugoslavia refused a West German request for the extradition of four suspected West German terrorists and last month expelled them instead.

This caused an uproar in West Germany but the Yugoslav authorities have charged West Germany with double standards because of West Germany's refusal to extradite nine suspected Croatian extremists as requested by Yugoslavia.

But Yugoslav willingness to incur West Germany's ire reflects the high priority which the authorities put on the suppression of extremism, both of the right-wing nationalist variety and the left-wing "Stalinist" or "Communist" type. They perceive this as a threat both to the unity and independence of the Federal Yugoslav state with its six republics, two autonomous provinces, and 18 ethnic minorities, and its strategic balance between East and West.

As for the leadership, this has been reorganised on a collective presidency of the central committee, with President Tito, President for life and the vice-president chosen from each of the republics and autonomous provinces for terms of five years. Last month Mr. Branko Mitic from Bosnia became this year's vice-president. He is considered a hard liner and a stickler for party discipline, coming as he does from the republic which has the greatest mix of nationalities and ethnic groups.

The 1974 constitution set up a similar rotating vice-pres-



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Steady progress towards democracy

SPAIN

Robert Graham
Madrid Correspondent

firmly removed further from the political arena. Changes have taken place in the command structure with the result that the armed forces come directly under the orders of the Cabinet while the King, as their supreme commander, acts in a moderating role. There are still elements who do not conceal their mistrust of democracy. But the country is in no mood for the generals, as the evidence of how they placed such doubts were built the politicians and the country as a whole have demonstrated that they can come to terms with the three potential sources of instability. Right-wing backlash with support from the army, provocation from extremist terrorism, especially that carried out by the militant Basque separatist group, ETA, and social unrest resulting from Spain's deep economic recession. The kindly view is that this has been achieved through political maturity. A more cynical one is that most Spaniards are politically indifferent and are content with the middle-of-the-road reformism of the Suarez Government, which in turn is a shrewd assessment of the mood of the country.

During the year, the armed forces have been discreetly but

increase in terrorism, there is nothing to suggest that Spain cannot absorb it or that it will permit itself to be provoked by it. Certainly if the aim has been to disrupt the constitution, the symbol of democratic Spain, then it has manifestly failed.

Fears of destabilising democracy among the trades unions and in the Communist and Socialist Parties, have played an important part in the minimising of social tensions over unemployment and squeezed incomes. Unemployment is now over 16 per cent of the active population in parts of Andalusia and Galicia. The jobless total for the country is over 1m—and shows no sign of coming down.

There are genuine social grievances over poor housing, the failures of the public health service and inadequate education facilities. But except in isolated instances—in Cadiz and Malaga mainly—the Left and the trades unions have not sought to exploit this.

The overriding concern for the consolidation of democracy has resulted in a relatively smooth passage for the elaboration of the country's new constitution—the seventh since 1812.

The 168-article constitution proclaims Spain to be a "Parliamentary Monarchy"—a somewhat ambiguous phrase which basically recognises the key role King Juan Carlos has played in the transition period and accepts the monarch as the symbol of Spain's unity. Once the constitution is approved by referendum on December 6, the considerable de facto powers of the monarch will be curtailed. From now on he will act as a constitutional monarch, arbiter but not leading actor. He can only "propose" a Prime Minister: the choice has to be approved by Parliament.

Liberal

The constitution endorses the idea of a liberal market economy and for the first time embraces the concept of respect of human rights. If anything it drifts on the side of conservatism. Tenuous acceptance of divorce is conceded but abortion is rejected. In the same vein the constitution accepts freedom of worship but recognises the specific Roman Catholic character of Spain—a concession to the Left. It further upholds the right of private education, a hotly contested point in view of the dominant control of private education by the Church, often with State-backed funds. Finally it accepts the distinct regional differences within Spain and endorses regional autonomy.

It has fallen well short, however, of devolving important areas of autonomy and does not meet the full demands of the Basque nationalists. How much this will weaken the life of the constitution and complicate the task of resolving the conflict in the Basque country remains to be seen.

Approval of the constitution in the national referendum will open a new political era. For a start Prime Minister Adolfo Suarez will have to decide within 30 days of December 6 whether to call a general election or seek a vote of confidence. These two options were provided in an addendum to the constitution so as to "legalise" his tenure. This is because Sr. Suarez, although heading the Union de Centro Democrático (UCD), the party that won the most votes in the June 1977 elections, was nevertheless chosen as Prime Minister by the King.

If Sr. Suarez decides to go for a vote of confidence then it means he will probably stay in power until 1980. This has obvious attractions in that it would enable him to continue to mould UCD into a reformist party of the centre and permit him to reinforce, through the appointment of his own men, his control over the reins of power. It would also establish a certain independence between him and the King.

The Communist Party would for its own reasons prefer this move. General elections are disruptive at this juncture, it argues and two more years with basically the same Government team—or preferably with some opening to the Socialists and themselves—will give greater solidity to democracy. The Socialists on the other hand, who hold over 30 per cent of the vote, feel it would be un-

wise for them to condone UCD tenure until 1980 and are more enigmatic, anxious to dispel the image that they are too inexperienced to govern.

Where both the Communists and the Socialists, the main opposition, do agree is over the holding of municipal elections. Technically Sr. Suarez is obliged to hold the municipal elections within 90 days of the referendum. Both parties consider the municipal elections vital to their future electoral strength. The municipalities, moreover, are one of the last remnants of the Franco administration, the majority of members being appointed under the dictatorship. Political pundits predict a widespread shift to Socialist and Communist candidates in the municipal elections, so giving the country—at a local level—a much altered political complexion.

It is precisely this shift that Sr. Suarez fears. Thus some of his advisers urge that it would be a much safer tactic to go for a snap general election. They argue that the government provided there is a high services and a repeal of out-"yes" vote in the constitution referendum on December 6, will be a benefit from this poll in public now a question of how and in what form—if at all—these

What happens, therefore, preoccupied the Government and the main political parties right up to the late spring. This means that much pending legislation and less urgent matters will have to wait until then.

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Political anomalies

PORTUGAL

Jimmy Burns
Lisbon Correspondent

On the other hand it is filled with vague liberal concepts which serve as a reminder of the other sides involved in formulating the text, namely the Socialists and the Social Democrats.

The constitution has been overtaken by events and, as it now stands, obscures rather than clarifies the country's political reality. The clash between the Socialist Party and the President, Antonio Ramalho Eanes at the swearing in of Dr. Carlos Mota Pinto's administration, the cool manner in which the President delivered such an assessment, scarcely two years after Portugal's first Parliamentary elections in nearly half a century, was perhaps the most recent reminder that Portuguese politics are today somewhat more complicated than the clichéd graffiti on the town wall. Since a Left-wing military group, toppled the Salazar regime on April 25, 1974, the Portuguese political pendulum has swung between extremes to settle somewhat shakily in the middle. But in another way, the idea of a workers' revolutionary state or a return to a fascist dictatorship have been overcome by the men in power, and instead the country has been put firmly on course towards Western-style democracy with in the context of the European Community.

Complexion

But such a simplified version of events in the past four years only half explains Portugal's political complexion. It does not explain, for example, how in July an apparently solid socialist/conservative alliance that had "worked" in Government for six months fell apart because of the policies of an agricultural minister. It does not explain how, less than a month after that, Portugal's major political party, the Socialists, clashed with the President of the Republic over an article in the constitution. Other events this year can be cited, but these two examples confirm that even in 1978 Portugal's apparently smooth passage into the European fold is not without the pitfalls of issues which are unique in Europe.

The fall of Portugal's second constitutional Government in the summer was a reminder that agrarian reform continues to be among the most politically sensitive issues for the Portuguese. Months of political co-operation between two supposedly opposite political parties, growing confidence abroad with what appeared to be a realistic approach to the country's economy, and a behind the scenes rapprochement with Portugal's Communist Party, ensuring a measure of industrial peace, all crumbled because of this one issue.

The clash between the Socialists and the President over the constitution simply brought into the open something that had been left in abeyance. The Portuguese constitution is perhaps the most contradictory set of guidelines in Europe. It was conceived and written over two years ago, at a time when Marxist revolution still seemed a possibility and when the Left-wing military still held the reins of power. It is filled with ambiguous concepts such as the path towards socialism and the gradual transference of the means of production—its references to the military's role is dominated by an inflated sense

of their political importance. On the other hand it is filled with vague liberal concepts which serve as a reminder of the other sides involved in formulating the text, namely the Socialists and the Social Democrats.

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Clearly the complexities of Portuguese politics will not be fully resolved until a new constitution is drawn up, or at least until the present one is adapted to comply more readily with what the majority of Portugal's political parties now aspire to: a pluralist society, a free market economy and membership of the EEC.

Nevertheless 1978 has seen an attempt to manoeuvre within existing constraints. The Socialist/Conservative alliance was, for example, the first Portuguese Government since before the revolution openly to advocate the return of private capital and investment as an essential motor of the Portuguese economy.

Investment is also being drawn back to Portugal as a result of what seems to be a much clearer policy with regard to indemnification. It is now known, for example, that Sr. Alfredo Nobre da Costa's administration during its brief existence got as far as to evaluate provisional values of shares that could be paid back to nationalised companies in the form of bonds.

Equally significant has been the continuing depoliticisation of the military. This year saw the removal of the few remaining Left-wing officers from positions of power. The Military Council of the Revolution, which is given a prominent role within the constitution, is now a mere semblance of its former self. The Council, most observers now agree, is simply marking time until it quietly dissolves itself in 1980.

The change within the military, as indeed other aspects of the political evolution during the last 12 months, has been largely due to President Eanes.

Stature

The little known army officer of three years ago has grown in stature as a politician who, many believe, holds the real balance of power in Portugal. Not only does he command the respect of the armed forces, but by the terms of the constitution, he also has a final say on whether or not elections should be called. It is this last power that President Eanes has increasingly reminded his politicians of lately.

Almost exactly a year ago to the day, the (then) Prime Minister Mario Soares faced parliamentary defeat, having failed to find a spirit of consensus among the political parties. The parties can still not agree among themselves. Because of this the President has turned for the second time this year to a non-party administration as a possible solution to the political impasse. He has warned that if this is turned down by the parties, he may be left with no options except to call a general election.



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EUROPE XIV

Austerity begins to pay off

NORWAY

Fay Gjester
Oslo Correspondent

ONE TASK has had high priority for Norway's Labour Government in the year now ending. It has had to convince the whole population, including Labour's traditional supporters in the trade union movement, that the economy was in serious trouble and that almost everyone would have to make sacrifices to help put it right. Drastic action was needed to slow the rise in the country's Nkr 85bn (£8.5bn) foreign debt, much of it run up from 1974 to 1977, when Norway was trying to spend its way out of the international recession.

After a year of step-by-step belt-tightening measures, a 15 month price and incomes freeze was announced in September. This was followed in October by a severely pruned 1979 State budget, providing for only a minimal rise in public sector spending and zero growth in private consumption. The budget was approved by an overwhelming majority in the Storting (Parliament), and the price and incomes freeze is supported not only by Norway's TUC but—according to recent public opinion polls—by almost 80 per cent of the population. This is a measure of the Government's success. It is an impressive, almost startling, achievement, against the background of experience in other countries, where unions have stoutly resisted governmental efforts to control wage inflation.

Persuasion

Inevitably, this exercise in mass persuasion took a little time. Until very recently, after all, Norwegians regarded their offshore oil as a guarantee of almost indefinitely escalating prosperity.

As recently as last spring, the unions would not accept the employers' view that existing wage contracts should simply be extended, without pay increases. The argument that soaring wage costs had made Norwegian industry uncompetitive may have been privately accepted by some union leaders. They

knew, however, that their rank and file were not ready to accept a wages standstill. When the two sides failed to agree, the Storting ruled that the spring wages settlement should be entrusted to an impartial Board, and moderate increases were awarded.

Through the year, the bad tidings continued to flow in. The mirage of boundless oil wealth faded. Estimates of future oil and gas output and earnings had to be lowered—several times and by substantial amounts. World oil prices were not rising at the rate Norwegian experts had foreseen, and in real terms, they were falling. Costs of developing the offshore fields, on the other hand, were climbing at a rate which dwarfed most Norwegian. In September, for instance, the operators on the giant Anglo-Norwegian Statfjord oil and gas field announced that the estimated cost of the field's second platform had soared by nearly 50 per cent—from Nkr 7bn. to about Nkr 10bn—in only nine months. Completion delays were also commonplace.

At a Kristiansand oil seminar last month, delegates were telling one another that there were two laws governing offshore oil activity. One: "Regardless of how much has been invested, the amount still to be invested remains constant." Two: "Regardless of how far the project has advanced, completion is always six months away."

In many other sectors of industry, profits were falling and order books were emptying. The annual reports of virtually every major industrial company made some reference to Norway's high cost problem and the difficulty of competing abroad. Most announced cutbacks in investment. Norsk Hydro, Norway's largest industrial concern, pointed to the special problem of soaring construction costs in Norway: "Under the circumstances, it is difficult at the present time for Norsk Hydro to undertake economically viable investments in new capital-intensive facilities in Norway."

The news was not all bad, however. Austerity moves at the end of 1977 and in early 1978 had helped to slow the consumer boom even before the autumn crisis measures. These moves included curbs on consumer credit and special taxes on luxury spending. To en-

courage saving, interest rates were allowed to rise. As belts were tightened, imports fell, and exports rose. By October, the Government was able to scale down its April estimate of the 1978 payments deficit (Nkr. 20.8bn) to only Nkr. 12.6bn.

Higher earnings from oil and gas have helped to improve the payments position. Despite the delays offshore, oil and gas production have been increasing. They are expected to double in 1978 to about 30m tonnes of oil equivalent. Two factors explain this year's sharp rise in petroleum production. First, 1978 is the first full year in which both the Frigg and Ekofisk gas pipelines have been operational; second, there has been no major accident, like the 1977 Ekofisk blow-out, to hit production. Next year, petroleum output will rise less sharply, by about 33 per cent to 40m tonnes of oil equivalent.

Next year's smaller increase in petroleum production partly explains why the GNP is expected to grow by only 1.8 per cent from 1978 to 1979, against an anticipated rise of 3.1 per cent from 1977 to 1978.

Strength

One factor hampering exports has been the strength of the Norwegian krone, tied to the German mark through Norway's participation in the European currency snake. Twice in 1978 the krone has been devalued against the other snake currencies—in February, by 8 per cent and in October by a smaller amount, when the effect of these devaluations has been partly cancelled, however, by the continuing slide in the value of the dollar. This fell particularly hard on the paper and pulp industry (because of competition from North American producers), on the tinned and frozen fish industry (which is a big exporter to the U.S.) and on Norwegian shipowners with vessels on long-term dollar charters.

An increasing number of shipowners, and industrialists have been calling for yet another devaluation of the krone, to improve Norwegian competitiveness. Some would like to see Norway leave the snake and set a value for its currency against a basket of currencies belonging to the

countries that are its main trading partners—as Sweden has been doing since August, 1977. With a price and incomes freeze in force, it is difficult for the Government to consider any further adjustment of the krone's value at the moment, since devaluation would raise import costs. If the dollar should again collapse, however, a krone devaluation might become inevitable.

Unemployment has been rising in Norway, particularly

among young people, in the 1977. As part of the Government's economy drive, it has announced that it will no longer subsidise companies that are not viable in the longer term, just to preserve the jobs they provide. Instead, the 1978 budget contains a special allocation of Nkr. 450m to help cope with the rising number of jobless. The money will be spent on training schemes, job-relocation assistance and special payments to firms which fire

workers, such as the under-18s or those over 50 who have been unemployed for some time. A notable event in 1978 was the announcement of the plan to create 3,000 to 5,000 new jobs in Norway if the deal goes through. Both Governments are pressing ahead with the plan, however, and the final details of the package are due to be announced on December 8. Whether the Storting and Volvo's Swedish shareholders will approve of it remains to be seen.

of enthusiasm for the scheme has been lukewarm. There has been much scepticism about Volvo's dubious undertaking to create 3,000 to 5,000 new jobs in Norway if the deal goes through. Both Governments are pressing ahead with the plan, however, and the final details of the package are due to be announced on December 8. Whether the Storting and Volvo's Swedish shareholders will approve of it remains to be seen.

SWEDEN

William Dullforce
Nordic Correspondent

SWEDEN ENTERED 1978 under the rule of the first non-socialist majority Government it had known in 45 years. It finishes the year governed by a minority cabinet formed by the Liberals who command only 39 of the 349 Riksdag (parliament) votes. The collapse of the non-socialist coalition should ease the return to power of the Social Democrats in the general election next September.

On the economic front, the country appears to be on the way to recovery after the successfully managed devaluation of the krona in August. The balance of trade has swung into a larger surplus than anticipated, the payments deficit should be cut by more than half and the national economic research institute forecasts a 4 per cent growth in gross national product in 1979.

But Swedish economists are not exactly striking an ebullient note. Some still feel unsure about the strength of export demand. Unemployment, although low by the standards of most other European countries, remains a concern, while the unprecedented budget deficits forecast for the next couple of years threaten a new burst of inflation. Most fundamentally, like to see Norway leave the snake and set a value for its currency against a basket of currencies belonging to the

industrial apparatus—shipbuilding and steel most prominently—call for a major renewal effort. The seed of disintegration was already present in the three-party coalition of Mr. Faellin, when it off yet another compromise with the Liberal and Moderate party leaders, but a revolt among the anti-nuclear hard-liners within the Centre Party finally over-ruled his conscience and he resigned.

Subsequent proceedings only underlined the fundamental disunity in Sweden's anti-socialist camp. Mr. Faellin himself and Mr. Goesta Bohman, the Moderate Party leader, had assumed that the Liberals and Moderates would soldier on in a minority cabinet under the Liberal leader, Mr. Ola Ullsten. Instead, after a week of uneasy consultation and recriminations, during which Mr. Olaf Palme, the Social Democrat opposition leader, dominated the television screen, Mr. Ullsten chose to go it alone without the moderates.

His decision was probably the right one tactically for his small party. It allows him to seek majorities for Riksdag legislation to the Left as well as to the Right. Opinion polls taken after the Government crisis indicate that he read the electorate's views accurately. And, if the Social Democrats do not succeed in getting an overall majority on their own in the 1979 election, Mr. Ullsten may still have the option of strengthening his party's influence through some form of co-operation with Mr. Palme.

So far Mr. Ullsten's political pronouncements have been reticent and cautious, as they are almost bound to be for the Prime Minister of a Government with so little direct support in the Riksdag. He has not closed the door to a new coalition of the three non-socialist parties, matters came to a head in

the formation of the non-socialist Government, over the activating of two more reactors. Initially it seemed that Mr. Faellin had managed to bring the Liberal and Moderate party leaders, but a revolt among the anti-nuclear hard-liners within the Centre Party finally over-ruled his conscience and he resigned.

The politician most to be pitted after the collapse of the non-socialist coalition is undoubtedly the moderate party leader, Mr. Bohman. He has worked consistently to make the non-socialist alternative viable and, as economy Minister in the coalition, he can claim a large part of the credit for the improvement in Sweden's economic prospects over the past two years.

The 1978 budget forecasts have either been met or surpassed. Domestic consumption has declined, as anticipated, at the time of the krona devaluation in August 1977, but the export side has exceeded even those forecasts which were being made as late as the spring of this year. The resulting improvement in the trade balance is currently estimated by the National Economic Research Institute to give a surplus this year of SKr 5.2bn (\$1.2bn) compared with a budget prediction of SKr 1bn and last year's deficit of SKr 4.6bn. This represents an increase in export volume of 7.5 per cent against a decline of 5 per cent in the volume of imports.

This pattern will not be repeated next year. Although growth prospects remain good, the coalition government had already been talking of the need for some stimulus to the domestic market and the decline in imports of both consumption and investment goods will certainly be reversed in 1979. However, the economic research institute believes exports will continue to advance next year by some 6.5 per cent and with export prices rises expected to outstrip increases in import

prices it is forecasting a further trade surplus of around SKr 6bn. Higher debt repayments mean that the payments deficit would climb slightly again to some SKr 8bn after recovering this year's deficit of SKr 7bn from last year's deficit of SKr 14.75bn.

This optimistic outlook is backed by the overall improvement in industry's export order books, which has been felt especially in the pulp, paper and board mills, the engineering and even the steel companies. A considerable number of these orders, particularly in the former industry, have been met with accumulated stocks of unsold goods, but the effect of the greater demand is now starting to come through to the production lines. The latest business barometers also indicate that companies' interest in investment is slowly beginning to revive, after the 17 per cent plunge in industrial investment recorded in 1977 and the somewhat lower rate of decline this year.

Successful

The coalition Government was also successful in combating inflation. The consumer price index fell between July and August this year for the first time in over four years, while the increase in the index for the first eight months was under 2 per cent. As some 2.8 per cent of this rise was recorded in January, when rent and other price increases became effective, the current underlying trend must be considerably lower even than 7 per cent. However, the market and the decline in imports of both consumption and investment goods will certainly be reversed in 1979. However, the economic research institute believes exports will continue to advance next year by some 6.5 per cent and with export prices rises expected to outstrip increases in import

Economy begins to turn the corner

FINLAND

Lance Keyworth
Helsinki Correspondent

AFTER THREE devaluations of the Finnmark, four so-called stimulation programmes and only two changes of government in the past 18 months or so, the export forecasters began to feel a little more confident about predicting an upturn in Finnish economic activity. Even then, they were slow to believe their senses and start to revise—economic indicators upwards after years of having to do the reverse. The economy has turned the corner, the depression is over.

This is not to say that everything in the garden is rosy. The main economic indicators underscore this point. The most persistent thorn is unemployment, now running at the high average annual rate of 7.8 per cent and unlikely to show much change in 1979. As many other countries have discovered, there is no ready solution to this problem. The growth of gross domestic product may be 2.5 per cent in 1978 and perhaps 3.5 per cent in 1979, though the latter estimate is viewed with some suspicion. Industry has plenty of spare capacity. Heavy corporate indebtedness, poor profitability, weak international competitiveness and the sluggish growth of domestic consumption do not encourage new investment.

The rate of inflation as measured by the consumer price index (1972=100) is expected to stay within the 8 per cent limit this year. The official forecast for 1979 is 8.5 per cent. But a new wage settlement is due by March

when most of the present labour contracts run out. As wages plus wage-related costs are the biggest factor affecting inflation, there can be little certainty about what 1979 will bring until the terms of the new settlement are decided. If this will be at the end of the year, but many unions are in favour of waiting until the end of February.

The year-to-year value of exports showed an increase of 13 per cent at the end of September: the growth of imports in the same period was 5 per cent. The rising trend of exports is, however, now expected to flatten out a little. Thus, there is no export-led boom in sight. In spite of this, the visible trade surplus will be well over FM 2bn (£260m) this year and the balance on current account could be FM 900m, which is a very handsome turn-around from the FM 8bn deficit in 1975, the first year of the depression for Finland.

On the whole, there is more certainty that the worst is over, more optimism, albeit cautious, both at the official and at the corporate level. The caution has its roots in two problems which have to be resolved in the coming four months. The first is economic, the new incomes settlement. The other is political, the outcome of the general election in mid-March. The two events are not unconnected. The employers want the wage bargaining out of the way before the election campaign begins in earnest in January, 1979, to obviate the intrusion of purely political issues.

The new wage settlement is of greater and more immediate importance to industry than the March election, if only because the result of the latter is more predictable. The unions and

employers have agreed unofficially on two points so far: the new labour contracts will run for one year only, and no guidelines will be set in advance for wage increases. Both sides seem to desire a settlement at the national level again, i.e., one in which the leading central federations on the two sides fix the range of increases in pay, social security benefits, etc. The Government will inevitably have to sit in on the negotiations in one way or another. The package that is stitched together on these occasions usually requires amending legislation by Parliament on social security, taxes, etc.

Wage and wage-related costs already due in 1979 under the old contract will add 4.3 per cent to the employers' wage bill, and wage drift will take this up to 7 per cent. This leaves little room for anything but a very moderate—indeed, the term moderate has still to be defined—increase in nominal wages if a new wave of inflation is to be avoided. Prime Minister Kalevi Sorsa and the Governor of the Bank of Finland, Mr. Mauno Koivisto, have both stressed this point to the unions. Although there has been no change in real earnings, this wage-earner has risen 5 per cent thanks to the adjustment of income-tax scales for inflation. A further 8 per cent adjustment in tax scales will be made in 1979, and the target is again a 5 per cent increase in take-home pay.

However, the unions want guarantees against the erosion of inflation and are calling for an index linkage of wages with, say, the price index. To avoid the maze of index linkages that arose when the system was applied earlier, and which was swept away by the law abolishing all index ties except for pensions, the unions propose that wages be exempted from the provisions of the law when it

comes up for renewal at the end of this year. This would place them in a most favourable position, which the employers and the non-socialist parties in Parliament cannot accept.

If recent history and the latest public opinion polls are anything to go by, the general election will produce little change in party strengths. The four large parties, Social Democrats, Centre and Communists in the Government and the Conservatives in opposition, may gain a seat or two from the five small parties, but not enough to wield a significant change in their relative power. Seen from this point of time, it is also unlikely that there will be any major changes in the party make-up of the new coalition cabinet that must be appointed after the election.

On the other hand, a major constitutional reform proposed by the left-wing parties may complicate and prolong the time dance that is usually part of the ritual of government-making in Finland. The left wants to remove, or abolish, the rule requiring a qualified majority for the urgent passage of certain bills. Most of them are economic in character. The left is adopting a "take it or leave it" stand, while the non-socialists are determined to hang on to at least some of this safeguard written into the constitution.

It will ultimately amount to a question of settling priorities. Whatever form the new Government takes, it must get down immediately to mending the torn valances of the economy. The four stimulation programmes, based so far, have not been enough. Mr. Sorsa has said that no further stimulus package can be taken until the Government has been formed. Yet the serious unemployment can only be really relieved by encouraging the expansion of industrial production and investment.

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سكان النجل

Battle for economic survival

ICELAND

Jon Magnusson
Reykjavik Correspondent

ALL ECONOMIC and political life in Iceland is now focused on the battle for economic survival. The country's economy is in a state of complete collapse, and the government is facing a crisis of confidence. The main problem is the high inflation rate, which has reached 10-12 per cent. This is due to a combination of factors, including a wage increase on December 1, which will lead to higher prices and increased costs for the fishing industry. The government is trying to control inflation by imposing a wage freeze and a price freeze. However, these measures are unpopular and may lead to a loss of confidence in the government. The opposition is also growing, and the government is facing a difficult task of maintaining its position. The country's future is uncertain, and the people are looking for a way out of the economic crisis.

Workers are on a war footing, the key inflation factor. Mr. Johannesson's main target for the time being is to bring inflation below 30 per cent and balance the budget over the next 12 months. This means heavier taxation in 1979, besides further cuts in public as well as Government spending. Major projects like construction of hydroelectric plants will be slowed or suspended. The more militant members of the coalition are also dead set against further borrowing abroad to maintain the present high living standard, but the foreign debt now stands at about \$650m.

There is gloom in the bank- and business community and employers predict unemployment, now almost nil, can only be done in co-operation with the union leadership. The left-leaning leaders of the trade union movement keep very quiet at present, observing badly split over internal leadership and policy matters. It is therefore not an effective opposition. Mr. Geir Hallgrímsson, the leader of the party and former Prime Minister, is having difficulty uniting his parliamentary group under his leadership, which has resulted in the fact that a large number of the party's supporters hope that the present Government survives for a few months more while the Independents get their own house in order.

Most Icelanders now fear that the political and economic winter in this Nordic country will be not only cold but also unusually dark. People are realising that inflation has finally penetrated to the very foundations of Icelandic society and is just about pushing the country over the brink of complete economic disaster.

Problems ahead in election year

AUSTRIA

Paul Lendvai
Vienna Correspondent

THE NARROW victory of the "leftist" coalition of disparate groups at the recent nuclear referendum in Austria has created a new political situation and a host of economic difficulties which will really be felt only in the mid-1980s. Some people hope, however, that after next year's general elections the political mood will change and the nuclear plant at Zwentendorf on the Danube will go on stream, albeit several years later than expected.

employment have also taken their toll in the form of large balance of trade and current account deficits on the one hand and a steady rise in the federal budget deficit on the other. It is against this background that the package of restrictive fiscal and monetary measures, introduced by the Government in the autumn of 1977, must be seen. What are the main results so far? The current account deficit in January-September was reduced to Sch 11.6bn (about £420m) from Sch 25.5bn in the same period last year. This was primarily due to the fall of the visible trade deficit in the same period, from Sch 49.9bn to Sch 38.5bn and to an improvement on the services account. The better-than-expected performance of the crucial tourist industry (gross surplus from tourism up by Sch 4.2bn to Sch 27.3bn) and a higher than projected increase in exports, coupled with a fall in imports, provide the background to the brighter picture.

While the growth of the GNP this year will be at 2 per cent, fractionally higher than the originally expected 1.5 per cent, it is nevertheless well below the average annual growth rate of 4.5 per cent for the 1964-77 period, the 5.2 per cent recorded in 1976 and the 5 per cent attained in 1977. Yet in terms of stabilisation, the fall in the rate of inflation is no less important: inflation is likely to be only 3.6 per cent this year instead of the originally projected 5 per cent. "We are Number Three in terms of stability in Europe," Minister Androsch claimed proudly in his recent budget speech.

Pressure

It is worth casting a glance at the past. Between 1961 and 1966, for example, the net deficit was merely 0.5 per cent, between 1967 and 1972 1.1 per cent, and by 1973-78 it was 3.3 per cent (on average) of GNP. Even assuming that expenditure rebates on federal and public bonds from 10 to 5 per cent rise in real terms and that and also curbing subsidies to federal revenues will increase at least in ratio to the nominal expansion of the GNP, the overall indebtedness will nevertheless be up from 21 to 32 per cent of the GNP between 1977 and 1982.

Another controversial area is the policy of maintaining a high exchange rate for the Austrian schilling. The fact that the link to the D-mark has weakened, albeit only to the extent of 1 per cent downward adjustment, is regarded as a potentially significant effect. Industrialists and export-oriented companies are pressing for what they call a more realistic exchange rate policy. Yet Austrian exports even to the U.S. did rather well during the first three quarters of this year.

Power

When it came to power the Government, which is led by Mr. Othmar Johannesson, chairman of the Progressive Party, who was also Prime Minister during the ill-fated Left-wing Government of 1971 to 1974, issued a statement of co-operation, claiming that its main task would be to fight inflation and secure proper wages for all. The statement of the Government, however, was not as simple as it seemed. It was a statement of co-operation, but it was also a statement of a new political direction. The Government was trying to establish a new political direction, one that was more centrist and more pragmatic. It was trying to establish a new political direction, one that was more centrist and more pragmatic. It was trying to establish a new political direction, one that was more centrist and more pragmatic.

Some cracks show up

SWITZERLAND

John Wicks
Zurich Correspondent

THE REST of the world always finds it hard to understand how the Swiss can seriously complain about his lot. The country seems not to suffer from the afflictions which visit most mortals. Switzerland enjoys political stability, freedom from labour disputes, one of the highest per-capita incomes of the world and near-zero inflation and unemployment. The expression of misgivings in the face of so much felicity tends to raise a wry smile in countries struggling with the vicissitudes of late 20th century society. In fact, certain apprehensions about the future are not unjustified. There are sufficient indications that Switzerland's future may not be quite as good as in the past. Not only are the days of burgeoning prosperity over, but some retrenching is also necessary. And no matter how well-heeled a country may be, the thought of becoming less prosperous is never an attractive one. Most qualms being felt and expressed are related to the economy and its growth. Swiss business, oriented towards exporting goods and services, has for a generation or more gone from strength to strength, even the traumatic 1975 recession, the biggest setback since the war, had no really dramatic or long-lasting effects. For a number of reasons, there are now signs of a crack in the polished surface of success. World markets for many traditional products are weak, while rising franc, despite a near-freeze in franc prices since 1974, bednights by foreigners, currency is making it increasingly hard and already in many cases, impossible to sell abroad anything like a profitable price in terms of Swiss francs. Labour is scarce—there are more situations vacant than unemployed—and expensive, while the building of such-such as looks like falling farther. The industrial installations as considered desirable in National Bank works to a stern Switzerland is held up by lack of low-interest policy, particularly suitable sites and almost in the face of a steep rise in

automatic opposition from money supply expected to over-environmentalists, as well as age out at no less than 15 per cent for 1978. The apparent paradox of a sharp increase in doing all they can to combat the inflation is explained not only franc, which is particularly by the Government policies but grave in that the otherwise also by the deflationary effects strong Deutsche Mark has in of falling import prices (due to recent months been weak in the higher franc), the relatively terms of the Swiss currency, sluggish market conditions and Since the Federal Republic is the fact that there is not much the major trading partner and call for the increased liquidity Switzerland's biggest competitor of the banking system. Despite this positive aspect, Bank has now taken an absolute prospect for business are seen minimum of 80 centimes per as uninspiring or even down DM as the reference point for right depressing. The Swiss its monetary policy. It remains Commercial and Industry Association ("Vorort") speaks of pressure on prices, cancellation of orders, growing competition on the home market from imports, ports and losses of imports. Many small and medium-sized exporters are faced with the economic potential of the Swiss export organisation. The Swiss Tourism Federation fears even lower profits and an even greater loss of competitive ability for the hotel business. All this against the backdrop of the franc which the Government says is still much too strong.

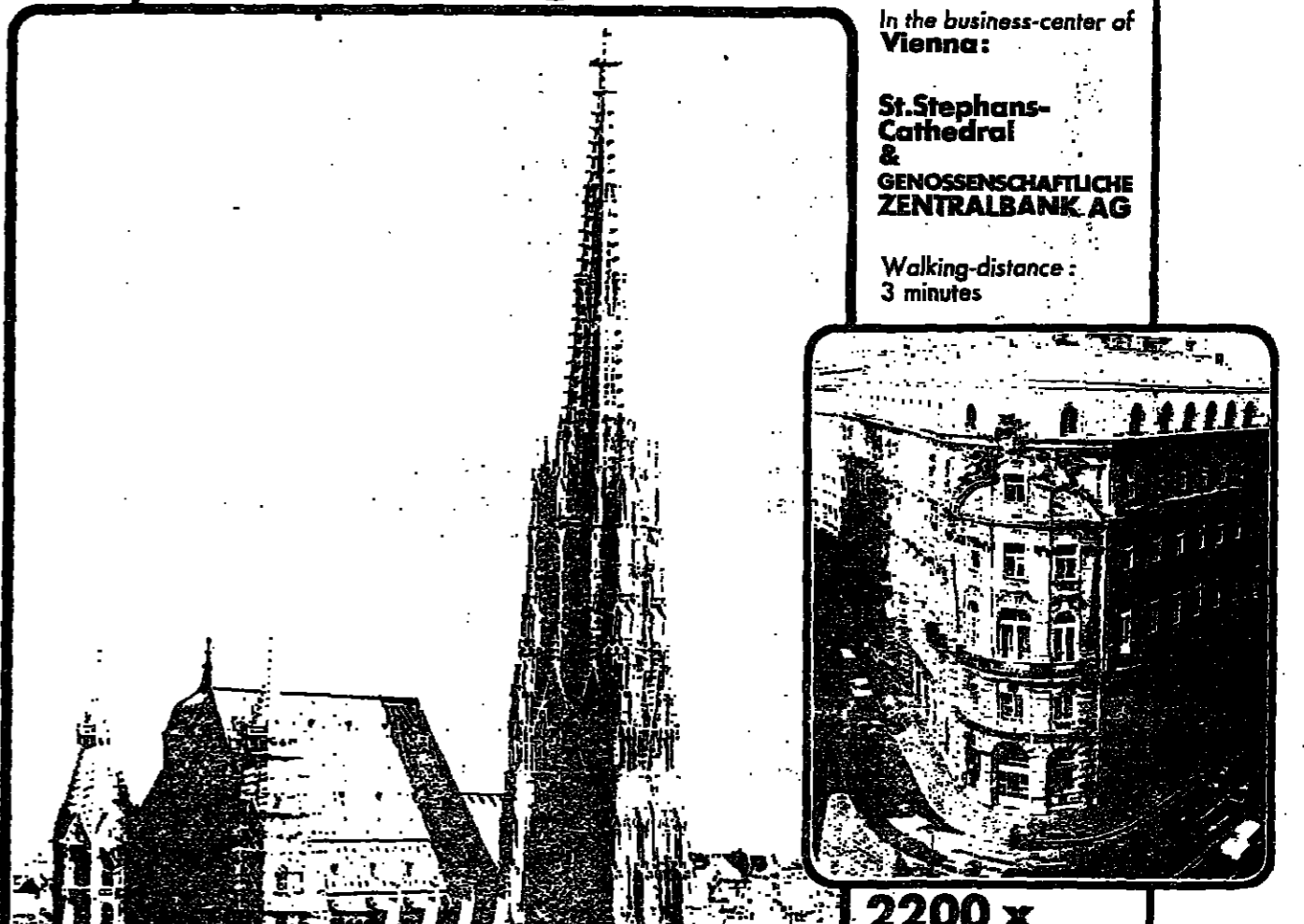
Should there be a rise in short-time working and actual unemployment, as is generally expected, this would not initially be much of a problem. Unemployment represents only about 0.3 per cent of the active population. This could hardly fail to have an effect on labour relations. For many years now, Switzerland has been virtually free of strikes, partly because employees had no major reason to be dissatisfied and partly thanks to the principle of "peace agreements" forming part of key wage agreements. An economic setback could well strengthen the hand of more radical elements in the unions, however, some of whom are questioning the virtue of the peace-agreement system. There would probably be repercussions, too, on the traditionally peaceful political scene. Otherwise, little is happening now in the field of party politics that points to landslides in one direction or another at next year's elections. There are indications that the

Social Democrats, since the 1975 vote again the biggest single party, may be gaining some ground with the voters. But the Christian Democrats, Liberals and People's Party are hardly likely to experience a decline sufficient to alter the four-party coalition structure in power since the 50s and consisting of two Ministers each from the Social Democrats, the Liberals and the Christian Democrats and one from the People's Party. No doubt the coming months will see occasional threats from the leftists among the Socialists to leave the Coalition next time round and "find their soul," though a move in this direction seems more unlikely than probable. Also, the left wing of the Christian Democrats is showing itself more and more interested in teaming up on some aspects with the Social Democrats.

A real political crisis was avoided in September when a large majority of referendum voters approved the creation of the new canton of Jura and its secession from Canton Bern. A refusal would doubtless have given rise to unrest among the fiery Juraissiens. Unfortunately, remarks made by the secessionists after their triumph were both graceless and inflammatory, pointing to future violence to win over by force the southern Jura areas which had preferred to stay with Bern. Any outbreaks of this kind would result in considerable indignation throughout the country, especially in German-speaking areas.

Another result of the Jura referendum could be in the upgrading of Switzerland's six semi-cantons—Urban and Rural Basle, Obwalden, Nidwalden, and the two Appenzels—to full cantons. The two Basles in particular feel peeved that the little Jura should be a full canton—and thus, among other things, send two instead of one States Councillors to Bern and have its cantonal vote counted as one instead of a half—while they, with their much bigger populations are still only "sems." There would, of course, be a resultant change in the Federal Constitution and the make-up of Parliament

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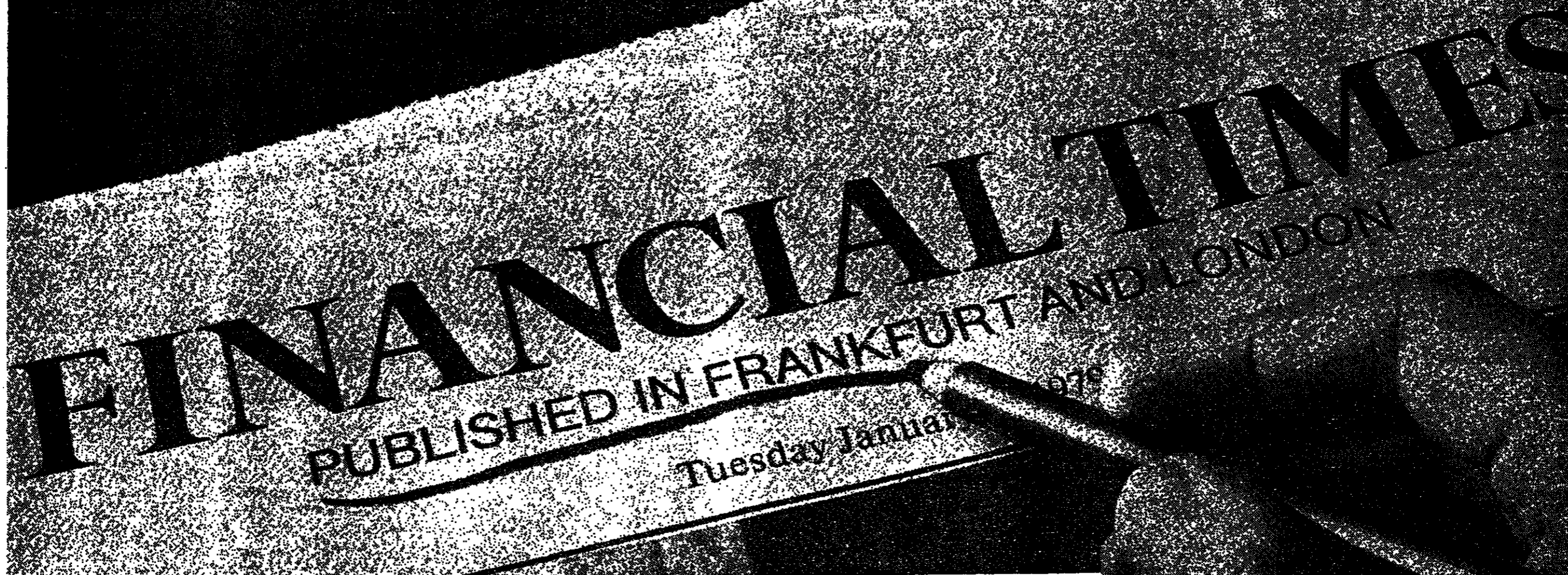
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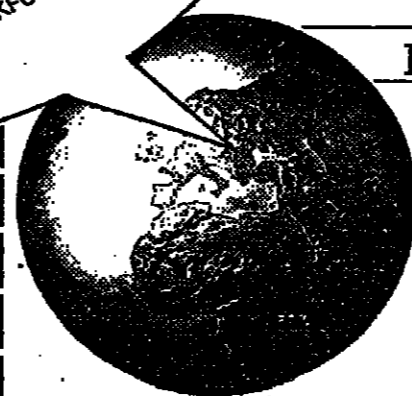
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Sharp rise for Veba profits

By Jonathan Carr
BOON, Dec. 3. Veba Group's profits rose by 45 per cent to 33.1 million marks in the nine months to September 30 against the same period of 1977 - one particularly sharp rise in the chemical sector.

An interim report from the energy concern West Germany's largest private sector enterprise in turnover terms, said electricity, trading and transport divisions had also contributed to the improved result. But profits in the chemical sector were down.

The improvement in the oil front is expected to continue next year, if the restructuring implied by Veba's deal with Deutsche BP last June is allowed to go ahead. The chemical group has turned down the arrangement, but the Economics Minister can overrule the decision.

Veba group sales in the first nine months were up by 11.7 per cent to 2,222.4bn marks, while the oil division's sales rose by 10.5 per cent to 1,045.8bn marks. The first time includes the sales of Chemische Werke Huls, of which Veba is now majority shareholder. Without those sales, the rate of increase against last year would have been 4.2 per cent.

Fixed asset investment was up sharply against the same period of 1977 - from DM825m to DM1.1bn. The single biggest reason was expenditure on construction of a large oil-fired power station in the Ruhr area.

Dutch broker breaks links with NMB

DUTCH stockbroker firm Ingwerson & Co. is to operate independently after spending the past eight years as part of the Nederlandse Handelsbank Group (NHB) which Charles Ingwerson founded in Amsterdam.

Mr. C. P. Ingwerson, director of the company, repurchased the NMB shareholding after it became apparent that the interests of the two companies were not always compatible. Ingwerson said the NMB shareholding was a "public order" member of the European Options Exchange.

The "long-standing good contacts" between NMB which is the fourth largest bank in Holland, and Ingwerson will be maintained.

Putting innovation back into mergers

BY JOHN WYLES IN NEW YORK

LAST TUESDAY morning, Mr. John Whitehead, one of the two senior partners of Goldman Sachs, the leading New York investment bank, flew to Chicago to talk to the board of "Bear Corporation." By early afternoon he was in Akron, Ohio, addressing the directors of "Fox Corporation." By 6 p.m. the two creatures had announced one of the most unexpected and most unusual mergers of this or any year.

There are now no prizes for guessing that Bear was Fox-Warner Corporation, and Fox was Firestone Tire and Rubber. But the use of these code names in all preliminary documents associated with the merger was only one bizarre element in a union whose significance extends beyond the merely industrial into investment banking.

Certainly Goldman Sachs thinks so. Goldman believes that its role was not only highly unusual, but the merger terms which it framed have brought innovation back into investment banking. More usually, two companies negotiate a merger with the help of two investment banks; but Goldman's was a singular role, which originated last July when Goldman was asked through Hay Associates, a leading U.S. management consulting firm, if it would represent both companies by helping to consummate a merger agreed in principle.

The agreement had been settled between Mr. Richard Riley, Firestone's chairman, and Mr. James Bere, chairman and chief executive of Borg-Warner and, since January, 1977, a member of the Firestone Board.

Agreeing to merge is one thing, finding a financial formula acceptable to Boards of directors and shareholders is another. In this case, the task was immensely complicated by the sea of trouble surrounding Firestone.

Most of the deep water was caused by the near-certainty in late summer, which became a fact by November, that Firestone would either have to replace voluntarily up to 13.5m of its controversial "500" steel-belted radial tyres or be forced by the Government to do so. The exercise would be very costly - the company has now created a

State bids \$4.5m for Kockums

BY WILLIAM DUFFEL
STOCKHOLM, Dec. 3. The State has agreed to take over Kockums, the last of the big Swedish shipyards remaining in private ownership. The Government has made a SKR 20m (\$4.5m) offer for the whole Kockums group, including the industrial companies and the shipyard operations.

The board is recommending the offer to shareholders. It is equivalent to SKR 7 a share, which compares with the SKR 10 to SKR 11 a share, at which the Kockums stock was trading on the Stockholm Exchange, when dealings in the shares were suspended on November 8.

Mr. Rikter Martin-Löf, the Government-appointed negotiator, said that he had raised his original offer by SKR 1 a share, in order to obtain a smooth takeover with the co-operation of the shareholders, management and employees. A bankruptcy liquidation created anxiety among the 8,000 employees and the many small sub-contractors, who supply

U.S. may escape recession

BY COLIN MILHAM

There was also a sign of increased confidence in the foreign exchange market last week, boosted by the rise to 111 per cent in the U.S. bank prime rate, although it treated the risk of a recession is greater than at any time during the expansion, but there are a number of factors giving him confidence.

Mr. Alan V. Shoenberger, president of Blyth Eastman Dillon, said that if there is a recession it should not be too deep.

How long this situation will continue is in some doubt, but most of the major central banks seem happy at the moment. The dollar is generally expected to remain fairly steady until the end of this year, although opinions vary about its performance in 1979.

President Carter's dollar support package at the beginning of November was largely based on borrowing foreign currency, and encouraging other central banks to continue dollar support. In the belief that the U.S. was willing to play its part by increased intervention from the

CURRENCY RATES

Currency	Dec. 3	Dec. 2	Dec. 1
U.S. dollar	1.0000	1.0000	1.0000
U.K. pound	2.2500	2.2500	2.2500
West German mark	3.3600	3.3600	3.3600
French franc	6.5500	6.5500	6.5500
Swiss franc	2.0000	2.0000	2.0000
Japanese yen	163.00	163.00	163.00
Italian lira	2036.00	2036.00	2036.00
Spanish peseta	166.67	166.67	166.67
Portuguese escudo	200.48	200.48	200.48
Belgian franc	36.36	36.36	36.36
Dutch guilder	3.7603	3.7603	3.7603
Australian dollar	1.4800	1.4800	1.4800
New Zealand dollar	1.3500	1.3500	1.3500
South African rand	1.4700	1.4700	1.4700
Israeli sheqel	3.4800	3.4800	3.4800
Indian rupee	47.5000	47.5000	47.5000
Pakistani rupee	10.0000	10.0000	10.0000
Sri Lankan rupee	15.0000	15.0000	15.0000
Thai baht	50.0000	50.0000	50.0000
Singapore dollar	1.3600	1.3600	1.3600
Malaysian ringgit	2.3600	2.3600	2.3600
Indonesian rupiah	1678.00	1678.00	1678.00
Philippine peso	46.0000	46.0000	46.0000
Thai baht	50.0000	50.0000	50.0000
Singapore dollar	1.3600	1.3600	1.3600
Malaysian ringgit	2.3600	2.3600	2.3600
Indonesian rupiah	1678.00	1678.00	1678.00
Philippine peso	46.0000	46.0000	46.0000

THE DOLLAR SPOT

Currency	Dec. 3	Dec. 2	Dec. 1
U.S. dollar	1.0000	1.0000	1.0000
U.K. pound	2.2500	2.2500	2.2500
West German mark	3.3600	3.3600	3.3600
French franc	6.5500	6.5500	6.5500
Swiss franc	2.0000	2.0000	2.0000
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Indian rupee	47.5000	47.5000	47.5000
Pakistani rupee	10.0000	10.0000	10.0000
Sri Lankan rupee	15.0000	15.0000	15.0000
Thai baht	50.0000	50.0000	50.0000
Singapore dollar	1.3600	1.3600	1.3600
Malaysian ringgit	2.3600	2.3600	2.3600
Indonesian rupiah	1678.00	1678.00	1678.00
Philippine peso	46.0000	46.0000	46.0000

EXCHANGE CROSS RATES

Currency	Dec. 3	Dec. 2	Dec. 1
U.S. dollar	1.0000	1.0000	1.0000
U.K. pound	2.2500	2.2500	2.2500
West German mark	3.3600	3.3600	3.3600
French franc	6.5500	6.5500	6.5500
Swiss franc	2.0000	2.0000	2.0000
Japanese yen	163.00	163.00	163.00
Italian lira	2036.00	2036.00	2036.00
Spanish peseta	166.67	166.67	166.67
Portuguese escudo	200.48	200.48	200.48
Belgian franc	36.36	36.36	36.36
Dutch guilder	3.7603	3.7603	3.7603
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Indian rupee	47.5000	47.5000	47.5000
Pakistani rupee	10.0000	10.0000	10.0000
Sri Lankan rupee	15.0000	15.0000	15.0000
Thai baht	50.0000	50.0000	50.0000
Singapore dollar	1.3600	1.3600	1.3600
Malaysian ringgit	2.3600	2.3600	2.3600
Indonesian rupiah	1678.00	1678.00	1678.00
Philippine peso	46.0000	46.0000	46.0000

MONEY RATES

Currency	Dec. 3	Dec. 2	Dec. 1
U.S. dollar	1.0000	1.0000	1.0000
U.K. pound	2.2500	2.2500	2.2500
West German mark	3.3600	3.3600	3.3600
French franc	6.5500	6.5500	6.5500
Swiss franc	2.0000	2.0000	2.0000
Japanese yen	163.00	163.00	163.00
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Thai baht	50.0000	50.0000	50.0000
Singapore dollar	1.3600	1.3600	1.3600
Malaysian ringgit	2.3600	2.3600	2.3600
Indonesian rupiah	1678.00	1678.00	1678.00
Philippine peso	46.0000	46.0000	46.0000

LONDON MONEY RATES

Currency	Dec. 3	Dec. 2	Dec. 1
U.S. dollar	1.0000	1.0000	1.0000
U.K. pound	2.2500	2.2500	2.2500
West German mark	3.3600	3.3600	3.3600
French franc	6.5500	6.5500	6.5500
Swiss franc	2.0000	2.0000	2.0000
Japanese yen	163.00	163.00	163.00
Italian lira	2036.00	2036.00	2036.00
Spanish peseta	166.67	166.67	166.67
Portuguese escudo	200.48	200.48	200.48
Belgian franc	36.36	36.36	36.36
Dutch guilder	3.7603	3.7603	3.7603
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New Zealand dollar	1.3500	1.3500	1.3500
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Pakistani rupee	10.0000	10.0000	10.0000
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Thai baht	50.0000	50.0000	50.0000
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Malaysian ringgit	2.3600	2.3600	2.3600
Indonesian rupiah	1678.00	1678.00	1678.00
Philippine peso	46.0000	46.0000	46.0000

EQUITIES

Company	Price	Change
Amelco Plc	44	+1
Amelco Plc	44	+1
Amelco Plc	44	+1
Amelco Plc	44	+1
Amelco Plc	44	+1
Amelco Plc	44	+1
Amelco Plc	44	+1
Amelco Plc	44	+1
Amelco Plc	44	+1
Amelco Plc	44	+1

FIXED INTEREST STOCKS

Company	Price	Change
Amelco Plc	44	+1
Amelco Plc	44	+1
Amelco Plc	44	+1
Amelco Plc	44	+1
Amelco Plc	44	+1
Amelco Plc	44	+1
Amelco Plc	44	+1
Amelco Plc	44	+1
Amelco Plc	44	+1
Amelco Plc	44	+1

"RIGHTS" OFFERS

Company	Price	Change
Amelco Plc	44	+1
Amelco Plc	44	+1
Amelco Plc	44	+1
Amelco Plc	44	+1
Amelco Plc	44	+1
Amelco Plc	44	+1
Amelco Plc	44	+1
Amelco Plc	44	+1
Amelco Plc	44	+1
Amelco Plc	44	+1

Public Works Loan Board rates

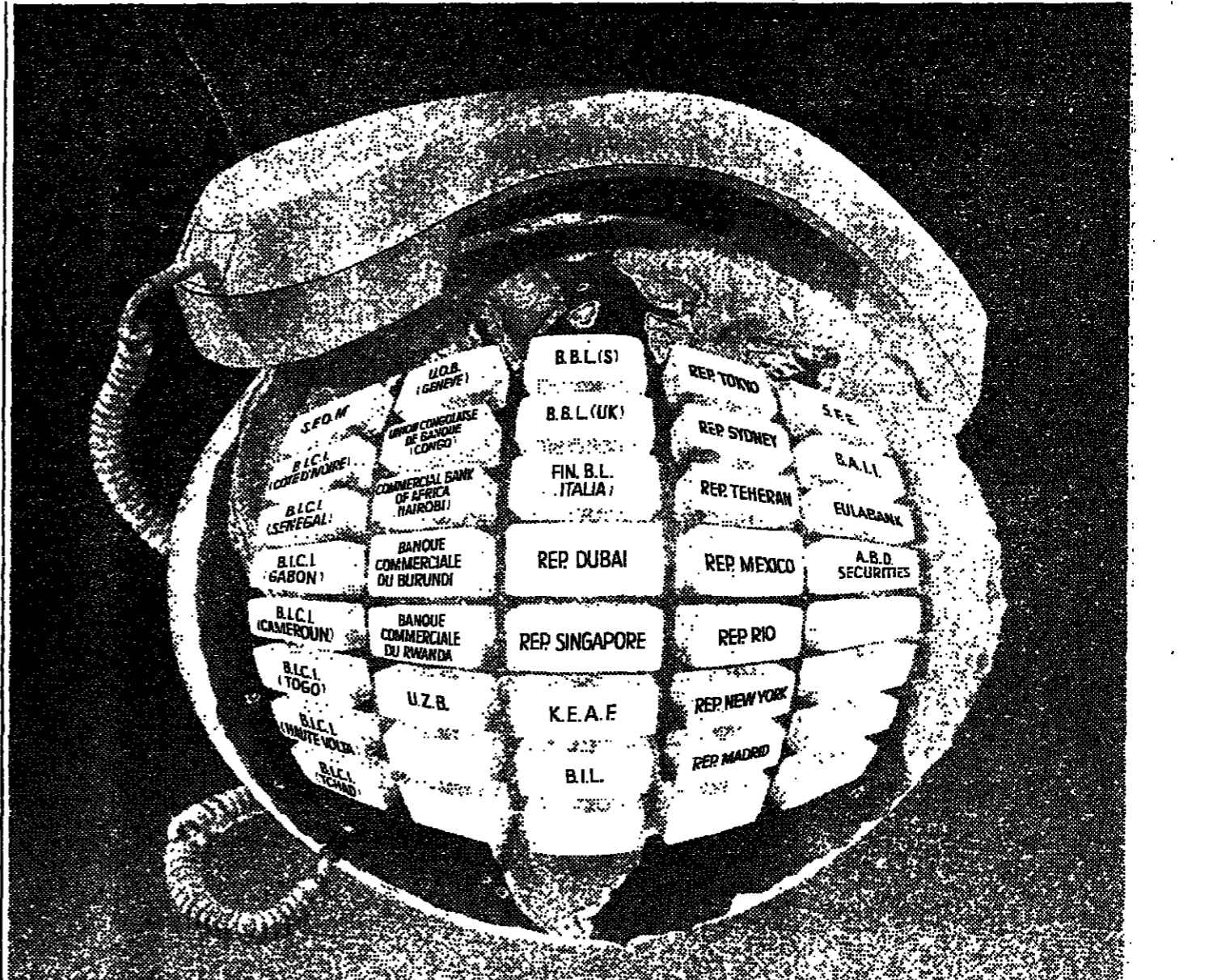
Rate	Period	Rate
10.50%	10 years	10.50%
10.50%	10 years	10.50%
10.50%	10 years	10.50%
10.50%	10 years	10.50%
10.50%	10 years	10.50%
10.50%	10 years	10.50%
10.50%	10 years	10.50%
10.50%	10 years	10.50%
10.50%	10 years	10.50%
10.50%	10 years	10.50%

Mitsubishi venture

By Ron Richardson

HONG KONG, Dec. 3. MITSUBISHI TRUST and Banking Corporation and the National Bank of Australia have formed a 50-50 joint venture - Australia Japan International Finance - to operate as a finance house both domestically here and in the offshore market.

The company, which is registered under the Deposit Taking Companies Ordinance in Hong Kong, has paid-up capital of US\$2m, augmented by a further \$1.5m of subordinated loans contributed by the shareholders.



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Dr Wise follows diamond trail

BY LODESTAR

FRIDAY'S flicker of revived interest in the shares of the Australian diamond seekers presents an opportune moment to have a look at one of them that has been working up a London following, North West Mining.

Interest has been stimulated by the company's ability to attract farms from some of its search areas from the "big boys".

Nevertheless, the most important prospect in the reckoned to be that shared 50-50 with fellow explorer Haoma Gold in what chairman Dr. Ron Wise describes as the "hot" Ellendale area of Western Australia's Kimberley region, where the partnership claims to have three tenement reserves covering about 300 square kilometres adjoining and on strike with the Ashton diamond discovery.

In addition, the two companies have pegged more than 300 mineral claims of 500 acres each in the same region, part of which is joint venture with London's Selection Trust which has earned up to a 40 per cent interest, and part with Aberfeldy, which is controlled by the Canadian mining house Cominco.

Dr. Wise is hoping to be able to give some favourable news about these areas at North West's annual meeting in Perth on Wednesday.

The company has other ground in the east Kimberley in the area, where the Ashton consortium has located kimberlite pipes and is also following that group, into which the company has been negotiating, Dr. Wise says, are under way for a large tract of ground.

North West Mining is not leaving the diamond fever alone in its exploration activities in other directions, including that for base metals in which it has Esson as a partner and that for oil and gas in the offshore Perth basin.

The company has about \$30m (£2.47m) in the kitty. Whether North West will be successful ultimately in any of its various ventures remains to be seen, but at least the management can be given full marks for genuine endeavour.

In London on Friday, the shares participated in the day's revived market activity with a keen eye up to 35p. They reached up in the previous diamond inspired upsurge.

Call option business in the shares of South Africa's Loraine Gold has prompted inquiries as to what the attraction is. The only apparent answer is the hope of a higher price and a quicker higher one as costs at this Anglo-Transvaal group mine have been running at about \$215 an ounce.

Long tail liability needs watching

BY OUR INSURANCE CORRESPONDENT

OVER RECENT years insurers have grown accustomed to the continual elongation of long tail liability for injury. It is now very difficult for anyone to say positively where the statutory limitation fences stand in respect of any particular incident, particularly when it is not appreciated at the time that there has even been an incident.

From the victim's angle, this is fair enough. For, if the physical consequences, say, of a subject to a modern industrial process do not emerge for a decade or perhaps longer, it must be unreasonable to say that the victim is precluded from claiming compensation because the statutory period has run out if this counted from the subsequently proven date of discovery of the consequences.

Nowadays, with injury liability it is the date of discovery of the victim's awareness of what has happened, even of the victim's full appreciation of his legal rights, that sets the limitation clock in motion.

Insurers and reinsurers have to gauge their premiums accordingly in the full knowledge that the future task of back-tracking over long-forgotten events, of finding the people then involved to provide evidence, will at least be daunting and, at the worst, impossible.

Different rules apply where the victim's claim is solely for property damage or financial loss not associated with physical injury, partly on the ground presumably that such damage or loss quickly becomes apparent. Whatever the reason, the limitation laws have not been made similarly open-ended.

But perhaps judicial intervention is beginning to do for non-injury claims what statute has done for injury compensation. In the case of the present week, an article in Accountants Weekly to a decision of Oliver J. in *Midland Bank Trust Company v. Hett, Stubbins and Kemp*—a decision reported last December in *The Times*—briefly dated March 1961 a farm owner gave his tenant an option to purchase, exercisable inside 10 years. The defendant solicitors drew up the agreement, but failed to register it straight away.

In August 1967, more than six years from the grant of the option, in September 1967, the defendant solicitors registered the option. In 1972, the tenant began an action against the solicitors who asserted the claim was time-barred six years after the original omission to register in 1961.

Omission
Ironically, by the time the action came before Mr. Justice Oliver the farmer the tenant and the solicitor concerned were all dead, and the action was run for the benefit of the tenant's estate against the deceased solicitor's firm.

Oliver J. decided that following the granting of the option, the solicitor's duty was to register it before any third party got an interest in the land; the breach of duty being an omission, there was no cause of action until some event occurred to preclude the solicitor from carrying out his duty.

The six-year limitation period began to run, therefore, from August 1967, when the action, started in 1972, was in time.

How valid is this distinction between a sin of commission and a sin of omission?

There was no appeal against the judgment, but it is a view expressed by judge of first instance, and in the absence of any affirmative ruling by an appeal court, it would be open for another judge of first instance trying a claim for omission to take an opposite view.

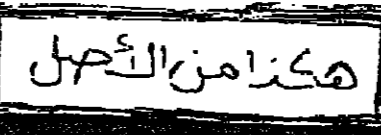
Professional
This is an aspect that all professionals, whether individual or partnerships must now watch carefully when their policy is made for renewal, because most professional policies provide cover on the basis of claims made during the insurance year as distinct from liability or events occurring during that year.

A year-by-year insurance must be arranged specifically to pick up claims now arising, so to speak, from long tail omissions. The problem for insurers, as ever, is how to quantify this apparent increased liability in terms of premium.

NEW YORK STOCK MARKETS

NEW YORK—DOW JONES

NEW YORK											1976		Since Completion	
	Dec. 1	Nov. 29	Nov. 28	Nov. 27	Nov. 26	Nov. 25	Nov. 24	High	Low	High	Low			
Manufactures	611.42	709.05	739.11	804.34	875.04	912.78	987.74	748.12	1001.79	41.22				
"non-durable"	66.25	66.41	66.46	66.56	68.71	68.26	50.83	64.12	67.65	67.65				
Transportation	218.60	212.94	208.77	211.87	215.04	214.80	211.11	211.42	212.55	12.55				
Utilities	82.97	89.40	89.28	89.96	90.75	93.61	118.50	94.11	94.69	94.69				
Trading vol. 100's	56.82	19,829	21,190	22,746	19,700	14,586								



INTERNATIONAL CAPITAL MARKETS

Norsk Hydro's toe in the water

BY FRANCIS GHILES

ONE of the best quality borrowers in the European market, Norsk Hydro, decided last week to open the dollar market. The Norwegian company, which has been active in the oil and gas industry for over 20 years, is now looking for a bank to place a \$100 million bond issue. The issue is expected to be priced tomorrow.

Towards the end of the week, various underwriters of this issue confirmed that demand was picking up and was proving better than most of them had anticipated. When the issue was announced, one of the main questions concerned its long maturity. Initial evidence suggested that there are now investors willing to lock up funds in the long-term if the name and coupon are right.

The long end of the market remains an uncharted area but the increasing interest in it shown by institutions appears to be explained by one major factor. They have until recently been matching their long-term liabilities with short-term, high yielding, investments. Now they are starting to invest longer again.

While uncertainties remain, and while U.S. interest rates are acknowledged not yet to have peaked out, these investors appear prepared to start betting, albeit cautiously, on a firmer dollar. This assessment, if it proves correct, could bring substantial capital gains in a year or so.

Two floating rate notes, one for \$100 million and one for \$50 million, were the only other new dollar issues announced last week.

Prices in the dollar secondary market were mixed with more issues moving up than down. Those which improved put on an average of one half to three quarters of a point. A worse than expected U.S. trade deficit for October and news that the inflation rate across the Atlantic was heading for the 10 per cent mark where not seen in many quarters by the market. They were offset by some good news too, in the form of unexpectedly good U.S. money supply figures and a steady dollar.

Prices moved up Friday but the level of trading remained thin throughout the week with most activity of a professional nature.

D-Mark convertible bonds to be issued by Japanese concerns in the first quarter of 1979.

BY JOHN EVANS

Old and new faces

ROSS AND PARTNERS (Securities), the new bond house headed by Mr. Stanley Ross, the ex-City manager, has been in the international bond market last week. It is a new entrant to the market, but its move should be followed by a number of other major banks and investment houses, which are planning to play a greater role in the bond market.

Underlined by the difficult marketing conditions this year, a variety of different organisations will be aiming to make their presence known in coming months.

One of the most significant new entrants will be Bank of America International, B of A's London subsidiary, which is planning to start trading bonds early in the new year.

The bank will reportedly make an initial offering of \$100 million in bonds.

Chase Manhattan is reinforcing its European operations, which have been modest up to now. With a series of new appointments, including William Stein, formerly of First Boston, Chase says it plans a more complete role in Europe, including underwriting, distribution and trading of securities.

Elsewhere, the American Express group plans to enter the secondary market next year in bonds and floating rate notes, reinforcing its present operations in the exchange and currency department.

The company's ambition is to trade convertibles — issues in areas which are not so heavily "populated" by traders.

It is also anticipated that, in due course, a market will be made in certain of the straight bond sectors.

In the meantime, the company is already involved in international equity arbitrage as well as in the option markets, both traded and negotiated.

Mr. Ross is confident about the outlook for the Eurodollar bond market. "Since the pendulum swung back towards the dollar, we consider this the perfect time to be in dollar instruments."

However, he believes that U.S. interest rates could still be headed higher. It is for this reason that the company has begun in such a quiet and cautious manner.

He remains a strong advocate of Eurox, the computerised securities trading, information and confirmation system.

"I've always believed in the concept, and think it will become an established entity far quicker than most people believe," he asserts.

Late last week it was confirmed that Mr. Michael von Clemm has succeeded Mr. John Craven as chairman and chief executive of Credit Suisse First Boston. Mr. Craven resigned a fortnight ago because he had disagreed with the plan to link the bank with the Swiss international investment banking arm with First Boston.

CURRENT INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life* years	Coupon %	Price	Lead manager	Offer yield %
U.S. DOLLARS							
†Sonatrach (g'teed Banque Exterieur d'Algerie)	50	1986/92	—	7 1/2	100	CCF	7.38
†Mizrahi Int.	10	1983	—	6 1/2	100	Mizrahi Bank	6.86
†Norsk Hydro	100	1994	11	9	—	Hamros Bank	8.16
†Privredna Banka Zagreb	50	1986	5.75	8	100	Crédit Lyonnais	5.58
†Nippon Credit Bank Finance NV	30	1985	7	5 1/2	100	Morgan Stanley	3.54
D-MARKS							
†Sharp Corp.	150	1988	—	3 1/2	100	WestLB	6.75
†Tokyo Electric	40	1986	—	3 1/2	100	Commerzbank	6.75
†Oceand Int.	150	1990	9.5	6 1/2	100	WestLB	6.5
†Finance NV	100	1986	—	6 1/2	100	Deutsche Bank	7.25
†Oesterreichische Kontrollbank	100	1986	—	6 1/2	100	Deutsche Bank	9.83
FRENCH FRANCES							
†Societe Nat. Et Aquitaine	150	1988	9	9 1/2	99 1/2	BNP	8.44
GUILLERS							
†EIB	75	1985	7	8 1/2	99	AmRo	8.44
KUWAITI DINARS							
†City of Oslo	10	1990	8.1	7 1/2	—	KIIC	5.74
YEN							
†Australia	30bn	1983	5	5.6	99 1/2	Nomura	6.45
†Australia	20bn	1988	9	6 1/2	99 1/2	Nomura	

U.S. BONDS

BY JOHN WYLES

Uncomfortable see-saws

THE U.S. bond markets saw a somewhat unprofitable last week with prices falling in the first three days under the impact of consumer prices and the U.S. trade deficit and with the Federal Reserve Board gently nudging short-term interest rates upwards. On Friday, however, the market struggled to slightly higher ground on the back of money supply figures showing that M1 had fallen by \$1.8bn, the second consecutive weekly fall.

The net result was a 13 basis point climb in one month commercial paper to 8.85 per cent, a ten point increase in three month commercial paper to 10.25 while returns on three month Certificates of Deposit fell marginally to 10.55 per cent and six month CD's stood unchanged at 11.15 medium and long term treasuries fell in price by anything between 1 and 1 1/2 points and price reductions on medium and long term corporate bonds pushed their yields slightly higher.

Friday's modest progress will doubtless raise some hopes for better prices during the coming week but the Fed will be lurking in the background ready to place any undue complacency.

This view is suggested by the Fed's activity last week when it apparently raised the target for the Fed Funds rate from 9 1/2 to 10 per cent. The move helped dispel some uncertainty about bank reserves plus currency in circulation, has leaped by \$1.3bn in the last two weeks, a fact some puzzle since the monetary base is not overpowered by the credit tightening intentions of the November 1 package to boost the dollar.

Those who disagree concede, nevertheless, that growth in the monetary base will soon be reflected in the money supply.

Dr. Bill Griggs of Schroder Bank and Trust company and Dr. Kauffman of Salomon Brothers are suggesting that the Fed's focus is now on the stability of the dollar and the "Sibny supply of new issues is unponderous problem of inflation" likely to prove too great a strain.

But it is a nerve wracking time to be trying to raise new money as the underwriters of the \$100m Michigan Bell Telephone Company debenture issue learned last week. Rated triple A and priced to yield 8.16 per cent in 40 years—the highest on dollar and the fight against a case to 10 per cent inflation November 7, 1978—the bonds ran at a profit of 1 1/2 points. Most predictions on the housing market forecast a fall next year from just over 2m to 1.7m.

By the close on Friday the price had recovered sufficiently to adjust the yield to 8.22 per cent but the experience suggested that the Fed will again have to worry about money supply towards the end of this month, and early into the new year. The investors.

FT INTERNATIONAL BOND SERVICE

The list shows the 100 best international bonds for which an adequate secondary market exists. The prices over the past 12 months have been as follows:

1. Sonatrach (g'teed Banque Exterieur d'Algerie) 50 1986/92 7 1/2 100 CCF 7.38

2. Mizrahi Int. 10 1983 6 1/2 100 Mizrahi Bank 6.86

3. Norsk Hydro 100 1994 9 100 Hamros Bank 8.16

4. Privredna Banka Zagreb 50 1986 5.75 8 100 Crédit Lyonnais 5.58

5. Nippon Credit Bank Finance NV 30 1985 7 5 1/2 100 Morgan Stanley 3.54

6. Sharp Corp. 150 1988 — 3 1/2 100 WestLB 6.75

7. Tokyo Electric 40 1986 — 3 1/2 100 Commerzbank 6.75

8. Oceand Int. 150 1990 9.5 6 1/2 100 WestLB 6.5

9. Finance NV 100 1986 — 6 1/2 100 Deutsche Bank 7.25

10. Oesterreichische Kontrollbank 100 1986 — 6 1/2 100 Deutsche Bank 9.83

11. Societe Nat. Et Aquitaine 150 1988 9 9 1/2 99 1/2 BNP 8.44

12. EIB 75 1985 7 8 1/2 99 AmRo 8.44

13. City of Oslo 10 1990 8.1 7 1/2 — KIIC 5.74

14. Australia 30bn 1983 5 5.6 99 1/2 Nomura 6.45

15. Australia 20bn 1988 9 6 1/2 99 1/2 Nomura

BIS REPORT

Lending patterns emerge

By Nicholas Colchester

THE LATEST figures from the Bank of International Settlements show a slow-down in the growth of international bank lending in the second quarter of this year. Yet, in hindsight, it is clear that one reason for this was short-lived. The second quarter saw a fall in the price of the dollar on the currency market. So it also saw a pause in the flow of dollars out of the U.S. to fund speculative borrowing abroad.

But the second quarter figures also contain another development in the pattern of international bank lending. It shows that the OPEC countries are not only borrowing significantly, but are now reducing their deposits with the international banking system.

The fact that oil producing countries have become net drawers on the international banks has been clear from the BIS figures since the end of last year. But the new figures are reducing their balances—and not just the more troubled among them—suggests the end of a short era. The recycling of oil wealth by borrowers in the developed and undeveloped world is no longer a source of growth in the international banking business.

The pattern of international banking at the moment is in industrialised countries depositing more funds than they can borrow and of these funds flowing, through a "borrowers' market" as loans to the developing world and to Eastern European countries. These borrowers are taking advantage of the easy credit conditions to finance the deterioration in their balance of payments with new loans rather than by drawing on their existing deposits with the banking system.

The BIS estimates that growth in the narrowly defined Eurocurrency market, excluding the double-counting which results from the redepositing of funds between reporting banks, was about \$10bn in the second quarter, matching the growth in the first quarter of 1978 and bringing the total amount of credit outstanding up to about \$320bn.

But whereas 80 per cent of the new funds in the Eurocurrency market were provided from within the European reporting area only 30 per cent was absorbed by it. Italy's non-bank sector borrowed substantially more, but Germany, for instance, reduced its borrowing. Significantly, the developed countries outside Europe were not big borrowers in the second quarter with the exception of the U.S.

Reliance Group... Third Quarter, Nine Months —Record Results Continue

(In thousands, except per-share amounts)

	Quarter Ended Sept. 30 1978	Quarter Ended Sept. 30 1977	Nine Months Ended Sept. 30 1978	Nine Months Ended Sept. 30 1977
Revenues	\$331,479	\$304,035	\$938,021	\$847,555
Operating income before income taxes and minority interests	\$ 37,585	\$ 28,935	\$ 98,207	\$ 71,937
Provision for income taxes	(9,405)	(11,908)	(26,590)	(26,255)
Minority interests	(2,606)	(2,551)	(7,855)	(7,341)
Operating income	25,574	14,476	64,762	38,341
Net realized gain on insurance investments	117	933	2,221	3,742
Income before extraordinary income (loss)	25,691	15,409	66,983	42,083
Extraordinary income (loss)	(328)	7,720	2,848	23,164
Net income	\$ 25,363	\$ 23,129	\$ 69,831	\$ 65,247
Per-Share Information:				
Operating income	\$1.85	\$1.65	\$5.89	\$4.31
Net realized gain on insurance investments	.01	.12	.22	.39
Income before extraordinary income (loss)	1.86	1.77	6.11	4.80
Extraordinary income (loss)	(.02)	1.00	.28	3.03
Net income	\$1.84	\$2.77	\$6.39	\$7.83
Fully diluted net income*	\$1.73	\$1.64	\$5.06	\$4.58
Average number of common and common equivalent shares outstanding (in thousands)	12,909	7,696	10,112	7,639

*Fully diluted net income per share is based on the assumption that the common shares issuable upon the exercise of all stock purchase warrants and stock options and the conversion of all convertible securities were outstanding since July 1 for each of the quarters and since January 1 for each of the nine-month periods and remained outstanding for the entire periods.

Reliance Group, Incorporated Operations—Nine Months Ended Sept. 30, 1978

INSURANCE		Revenues: \$794,261,000	Property and Casualty Operations, U.S. Reliance Insurance Company, Philadelphia General Casualty Company of Wisconsin, Madison United Pacific Insurance Company, Tacoma
Divisional Pretax		Operating Income: \$ 85,518,000	Property and Casualty Operations, International Life Insurance Company, Toronto
LEASING		Revenues: \$108,923,000	Life and Health Operations, U.S. Reliance Standard Life Insurance Company, Philadelphia United Pacific Life Insurance Company, Tacoma
Divisional Pretax		Operating Income: \$ 27,051,000	Title Operations, U.S. Commonwealth Land Title Insurance Company, Philadelphia
MANAGEMENT SERVICES		Revenues: \$ 28,405,000	Container Leasing Operations, Worldwide CTI—Container Transport International, Inc., New York Computer Leasing Operations, U.S. Leasco Capital Equipment Corporation, New York
Divisional Pretax		Operating Income: \$ 1,624,000	Computer Leasing Operations, International Leasco Europa Ltd., New York
CONSULTING OPERATIONS, U.S.		Revenues: \$ 28,405,000	Consulting Operations, U.S. Werner Associates, Inc., New York Yankelovich, Skelly and White, Inc., New York
Divisional Pretax		Operating Income: \$ 1,624,000	Consulting and Software Operations, International Infocult Limited, London Fuel & Energy Consultants Limited, London Leasco Software Limited, Maidenhead Moody International, Inc., London Werner International, Brussels

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OFFSHORE AND OVERSEAS FUNDS

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هكذا من الأسفل

Missing out in Europe

This survey was written by Ted Schoeters

WHATEVER group of companies is considered, it is hard to escape the conclusion that the British-based computer industry is missing out on one of its best chances for rapid and profitable growth—the sale of modern peripherals into a growing European market. Britain's overall computer products balance is still heavily in the red and, very largely, because the country imports so many peripherals and parts of peripherals and has done so since data processing took off in the mid-1960s.

Simulation

But if one were to put together all the sums earmarked for the stimulation of the country's involvement in microelectronics, either by new manufacturers or by expanded use, it would come to under £150m, which is far less than Japan is spending on the development of one advanced area of microelectronics (VLSI).

And that is just what the players are in this case—but there are many more expert players in the U.S. and Japan. It can only take this country into a major manufacturing programme where the end-product price is constantly dropping at an appalling speed. Yet to keep up with the rest of the world the research and development spend must always remain between 6 and 10 per cent of turnover. Of course, demand for microcircuits is expanding but so is U.S. and Japanese out-spence—explosively, so much so that a sharp downturn in the industry is predicted for next year.

And the latest study on micro-circuits carried out by Pactel being done in the U.S. and Japan and by so doing, recoup all of the five years' advance these two countries have stolen over Europe is general and Britain in particular—largely due to the disparity of the micro-circuit industry within the borders of the EEC.

In fact, Computerworld takes U.S. industry to task for its apparent faint-heartedness in the face of all the demand from Europe. It sees arising between now and 1982, quoting a total of £150m, which is far less than Japan is spending on the development of one advanced area of microelectronics (VLSI).

Extensive analysis is provided by IDC for uses of all kinds, tape drives and printers. But as a percentage of the above total

sales figures they range from 34 down to 20 per cent depending on the type of computer and the average would appear to be not far short of 30 per cent. For these three peripherals alone, the European market is running from say \$3bn to \$7bn in just five years, which is a healthy growth rate by any standards. These figures do not take into account displays and keyboards and the terminals of various types now flooding on to the market as more and more users move towards a greater degree of freedom to process information where they choose.

On the basis of Mackintosh forecasts, albeit earlier ones, the total share of peripheral of all kinds over the review period could expand from \$6bn to \$13bn. These figures themselves may be too low since the rapid fall in the cost of central processors—minis and micros—is difficult to allow for.

French experience is of a reduction in the value of the central processor in a mini-based system from round 8 per cent of total cost at the beginning of the decade to only 3 per cent or less last year. So it would appear logical to raise the above target values slightly to the range of \$8bn to \$15bn, after which there is hardly any need to underline which market UK builders need to foster.

In its survey, Mackintosh deplored the massive numbers of U.S. peripherals moving to European users which was imposing a significant strain on the balance of payments of European countries at a time of

Character printers

Low speed printers (other)
Very high speed printers—laser, etc. from 8,100 lines per minute
Low speed tape drives
Disc cartridge drives
Tape cartridge drives
Very high performance discs
All discs

	Base	Europe
	1/1/78	1/1/82
Base	67,100	149,300
Low speed printers (other)	66,050	136,100
Very high speed printers—laser, etc. from 8,100 lines per minute	—	800
Low speed tape drives	9,360	22,000
Disc cartridge drives	128,500	261,500
Tape cartridge drives	129,800	255,500
Very high performance discs	2,000	20,200
All discs	241,000	465,000

financial crisis. Now that the dollar has lost possibly 10 per cent of its value compared with the period during which the latter survey was carried out, there is a new and potent factor influencing the above trend.

Yet Computerworld criticised U.S. manufacturers for their lack of push this year at a number of Trade Center shows, pointing out that in the UK alone, floppy disc drive shipments would rise much faster than for any other product.

At Hannover Fair this year, however, only 13 of 48 exhibitors showing such drives were U.S.-controlled. This could mean that countries in the EEC, other than Britain have studied reports such as that by Mackintosh and its contemporaries and encouraged local manufacturers to remedy the situation.

In 1978, the French equivalent of the Department of Industry, the Département de l'Industrie, published figures showing that area of the computer in-

dustrial covering minicomputers and peripheral equipment of all types, but excluding large computers, where France had just thrown in the sponge. Apart from inventing a new word, the department set up a project to form five companies by one means or another over as short a period as possible and, by "contracts for growth", place them in a strong financial position allowing the development of good products and, at the same time, spurring them to export as much as possible.

Without going into minute detail of how the various groups of companies took to the short-run weddings—since no mergers ever run in perfectly smoothly—it is clear that the Plan Performatif has succeeded, perhaps better than its instigators had hoped.

A few months ago, the Fédération des Industries Electroniques (FIEE) level of about £50m, contributing heavily to the country's anticipated favourable balance in

the decade the 1979 in computing equipment. It is pertinent to ask whether the French have caught "micro-manis" too. Possibly they were immune, because they laid the foundations of a domestically controlled components industry during the great expansion years when France was building so much advanced military equipment for the Force de Frappe.

There was very recently an announcement that could be equated with a communique about micro-circuits—but not specifically microcomputers. It is proposed that Motorola will collaborate and arrange second-sourcing with Sescosem (Thomson-CSF) on fast bipolar circuits with the Evis (Thomson-CSF/CEA) for NMOS circuits. Both arrangements come under the wing, strangely enough, of the country's Atomic Energy Authority (CEA).

This move is backed by existing internal contracts and support funds as well as by export agreements which have been functioning for some time. It is simply ensuring that the country stays abreast of technology and is guaranteed essential supplies. Among other technologies covered by the agreements is silicon-on-sapphire, expected to be widely adopted for the next generation of advanced circuits and a technology reputed to have cost Hewlett Packard at least \$20m to master.

It appears only too clearly that the advisers to the people who drew up the performatif plans had taken into account the rapid decline in

prices of even the most complex of circuits and their rapid obsolescence. Meanwhile, equipment containing a high proportion of electro-mechanical devices is likely to increase in price and although simple displays may continue to become cheaper, intelligent terminals may stabilise or become more expensive, with improved circuitry giving a vastly increased performance.

In other words, the real added value lies in the system and not individual components, unless one is an Intel or a National Semiconductor.

Turning to the German market, which is some 50 per cent greater than that of the UK in several areas, the share of imports in total domestic sales is dropping fast. In the first half of the year it was 55 per cent of a total of DM 3,154m against 59.9 per cent of 6,446m for all 1977. The leading supplier from outside the country in January/June was the U.S. with DM 650m, followed by Britain with DM 262.1m and France with DM 255.9m.

Imports

Relatively little can be deduced from these figures since IBM activities account for very large proportions of the amounts while IBM Germany and IBM France are the two largest producers outside the U.S. But what is significant is that while the first quarter share of imports represented 18.3 per cent of the market from the U.S., 7.4 per cent from Britain and 7.2 per cent from France — 6.4 per cent came from Japan and is unlikely to contain any IBM machinery. At the same time, Germany's own exports have been plummeting. Yet the German Government has probably put far more into the domestic computer industry than France, with rather mixed results.

It is not too late to review all Britain's performatif efforts and co-ordinate them to take at least the same shape as that taken by France, despite the latter's head start. But the job will be a hard slog on the part of the DoI, NRDC, NFB and other organisations with nothing of the apparent glamour of "chips with everything."

Computer Peripherals

British companies are missing their opportunities in the growing European market for computer peripherals. Instead they are concentrating on trying to compete with developments in the U.S. and Japan.

Olivetti Systems. Intelligent enough to work on their own. Adaptable enough to join any network.

There's a new breed of distributed data processing systems. It comes from Olivetti. Over 81,000 new Olivetti A5, A6, A7 and TC800 systems have been sold worldwide, spearheading the drive to data devolution.

Their programmability permits them to work independently or to integrate easily with almost any mainframe computer.

Their modularity allows enlargement of existing teleprocessing networks.

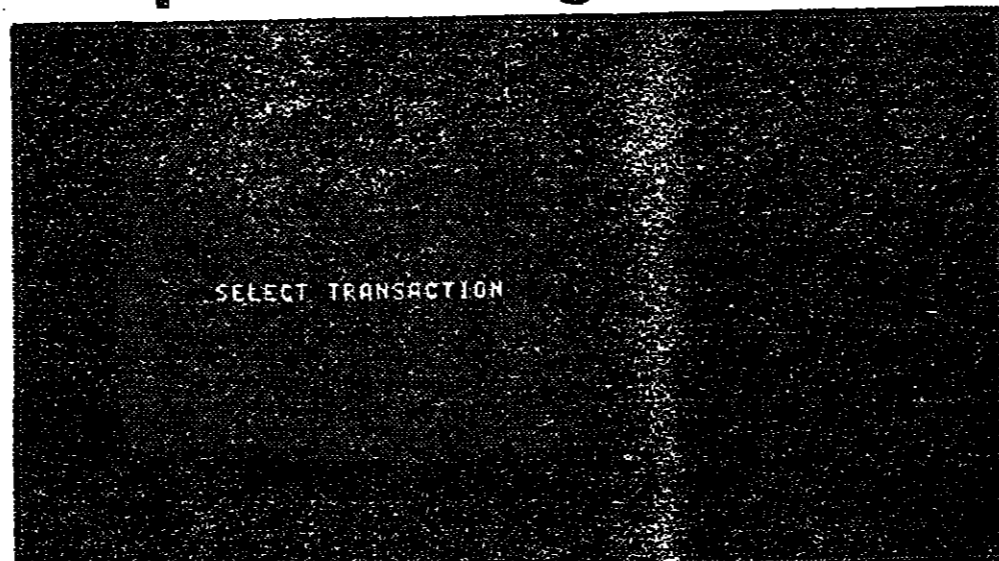
One of the Olivetti distributed processing systems is the TC800, an intelligent modular terminal system with a difference.

It can be configured to cope with most of the jobs previously the preserve of larger and more costly computer systems. And it can switch roles from hour to hour, the system adapting to the people who use it.

All of which has already made the TC800 the ideal intelligent terminal system for finance, government and industry.

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Challenge of compatibles

BUSINESS THAT began a decade ago as a marginal operation by Intel to improve the performance of obsolete smaller machines of the IBM 360 series has grown far beyond its previous bounds to the stage where it is successfully challenging new IBM equipment when this is launched—and even before-hand.

Intel and its suppliers came into the limelight with the first lawsuits by users of its add-on solid state memories, bought to tweak up performance of 360/305 to above that of next generation machine levels. IBM refused maintenance on such machines and lost ensuing legal actions in Germany and the U.S.

Difficulties

Seen against a background of simultaneous severe trading difficulties for several of the smaller plug-compatible equipment makers it is hard to recognise these now rather distant events as the turning points they were. But they showed manufacturers and users that progress in electronic circuit design was so rapid that the smaller operator could always move faster than the big companies, if only because there were no huge new production lines to organise, nor installed bases of obsolete equipment to protect.

Plug-compatibility took on a new meaning with the announcements two years ago that Amdahl intended to challenge the might of IBM computing right at the centre, that is with replacements for the largest of that company's big machines.

Less than a year ago Amdahl central processors began to move to IBM stronghold sites in the U.S. and, with hardly a pause for evaluation of how these new beasts performed, the trickie has turned into a flood with IBM losing the prestige British Airways main computer site to Amdahl in the last few weeks. That is plug-compatibility with a vengeance since one is talking of machines worth well over £1m each.

Intel has not stood still either and with the aid of the experts at National Semiconductor has challenged IBM, again in central processors, but at a lower level than Amdahl and with the same unprecedented success. Unusually close to 100 per cent over protracted periods are being returned and the market taken away from IBM by the two companies will represent well over £200m by the end of the year.

More recently, yet another

contender for processor compatibility has appeared on the UK scene after a series of somewhat confusing preliminary announcements in the U.S. Magnuson Corporation, heavily backed by Fairchild, is offering equipment in its M80 3.4 and 5 series which covers the IBM 370 machines from the 125 to 158 levels and challenges the 3031, either through greatly enhanced performance price-for-price or comparable performance at much lower cost.

Both the Amdahl and Intel series have internal engineering which represents a significant improvement even over the latest IBM unit. Magnuson is something else besides—a strategic machine conceived in such a way that minor modifications enable it to work exactly like processors from Burroughs, Univac or Honeywell.

More significantly, while the company has limited internal memory to 16 Megabytes, because that is what IBM software at present dictates, the machines can cope with up to 4,000 Megabytes, installed when the user requires.

This is not the end of the plug-compatible processor story since CDC with its Omega 1 and 2, National Semiconductor with the C400 and National CSS with the 3200 are all after the same quarry.

Some observers call these activities mere pinpricks in face of the vast orders booked by IBM for its 3000 series machines.

Perhaps the answer is that, at last, users who until now have been imprisoned in IBM software are welcoming the new freedom to do much more with this software than hitherto. Both IBM and its customers are, however, unable to get away from the fact that \$200bn has been spent since the inception of the 360 family on both machine and applications software. And neither can most other computer builders!

Outside the large central processor market, a move is afoot which must inevitably affect makers and users of peripherals. It is the series of acquisitions by large international corporations on the OEM front.

Possibly the most significant—at least for the immediate future—is the acquisition by Xerox Corporation in the U.S. of the memory section of Calcomp. This is in addition to such well-known names in OEM and peripherals as Shugart (floppy disc leader) Versatec (plotters, printers) and Diablo (printers, discs), already

under the Xerox belt.

ITT has its Data Systems (networking). Business Systems (suppliers of various plug-compatibles to IBM users), Qume (daisy-wheel leaders), Courier (teleprinters), and Jacquard (intelligent terminals). Exxon has absorbed the fastest-growing micro-computer and memory company Zilog, as well as the Vitek text processor builder; and Northern Telecom communication controls Data 100, maker of terminals and data capture units.

The moves are not entirely those large corporations can easily make when diversifying to take advantage of a rapidly expanding market.

In the case of Xerox, the capabilities of its new subsidiaries will be most valuable in the setting up of Xtem—Xerox Telecommunications Network—which is to provide a U.S. domestic digital communications network to use a combination of satellites and radio links. The latter will handle local distribution of satellite traffic via city nodes. If and when the system takes off—and permission has only just been sought from the Federal Communications Commission—the company will need to provide many user terminals having a multiplicity of functions but certainly being able to provide communications and checking capability together with print-out, storage and control in several modes such as polling and electronic mail.

Described as a "normal extension of our business products" by senior Xerox staff, the service is aimed primarily at the 800 odd companies in the U.S. that operate from more than three locations. It will provide high definition graphics ability and give rise to a new line of document processors when it starts up some time in 1981. It will also compete strongly with the Satellite Business System project backed by IBM.

No overall cost has been given, but as each earth station would come to about \$2m and demand a multiplicity of equipment in the computing area, there will be a great deal of technological spin-off for users of devices from the participating Xerox subsidiaries.

So far as ITT is concerned, the acquisitions appear to be quite simply intended to strengthen its capture of business from IBM users and particularly those who are not happy with the slowness of the latter to move towards distributed processing, despite the recent announcement of the 8100 equipment which some observers have hailed as IBM giving the green light for some form of data processing, only grudgingly accepted in the past.

By its nature, distribution demands a lot of extra peripherals, albeit smaller and less costly ones, to meet the needs of multiple processing sites which replace the large central or computer.

But whatever the reason and



The CW600 tape reader, jointly developed by Cable and Wireless and Data Precision

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effects of this cost-cutting move, one fact that emerges is that the prime movers have ample funds to buy in technology to meet what some commentators see as the beginning of an innovation-based war by IBM.

The appearance of a 64K RAM chip in the IBM 8100 mentioned above, albeit a slow and cumbersome one, is mentioned as a case in point and IBM replacements for this, engineered in charge of the device circuitry are thought to be on the cards.

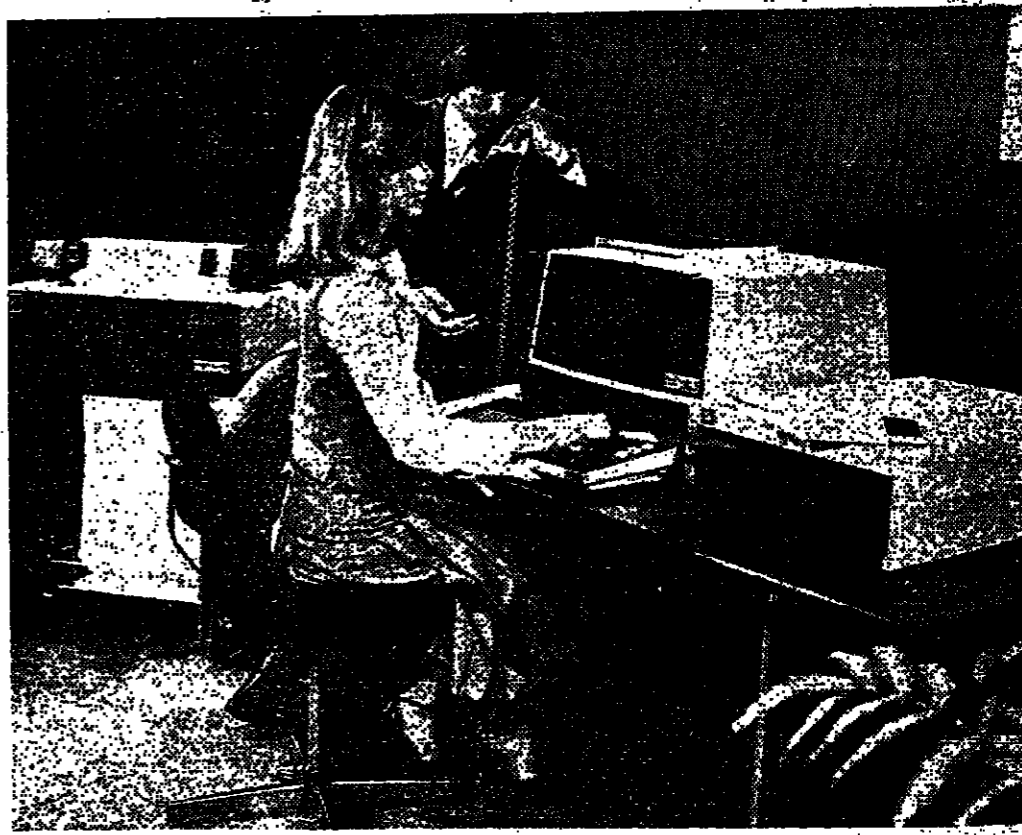
But if the innovations are made in such a way that users are put to any inconvenience, they will be unacceptable, a recent study of users of the British Computer Society has revealed.

Suppliers of all types of plug-compatibles as well as the major manufacturers would do well to heed the strongly held views by users disclosed in the study that they are weary of "phenetic innovation" and fewer standards, and being locked into the suppliers of their installed systems.

In particular, there is a need for effective international standards to increase portability of work between different machines. There is also a great need for a cheap, easily operated terminal of standard design involving the use of generally accepted command sets suitable for non-specialist users and able to talk to any network or computer.

Users are not impressed by the huge range of alternatives and would rather see competition in terms of price and reliable performance rather than of "advanced" specifications—thus the BCS.

Data storage devices in great demand

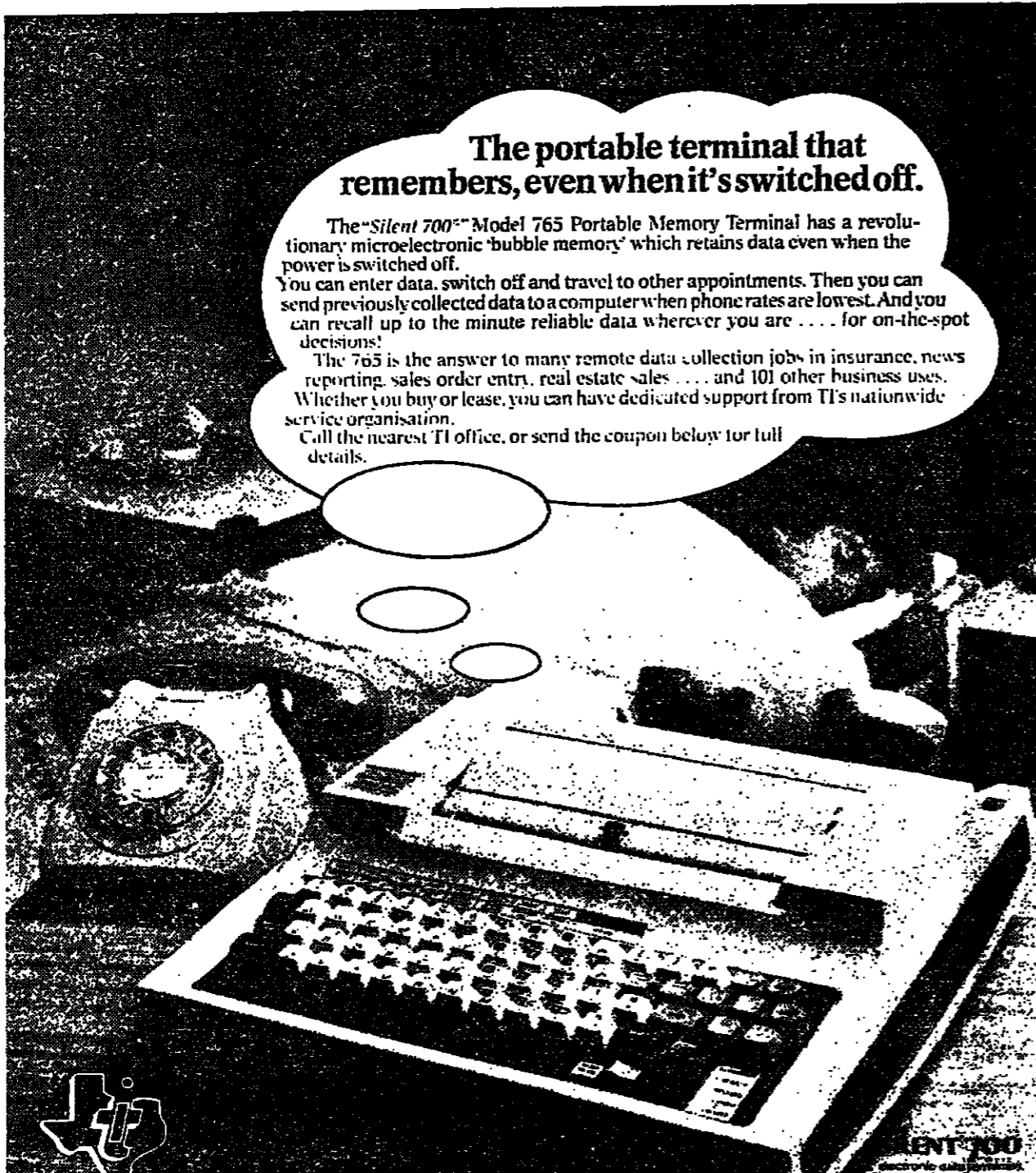


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Moving

This is one of the reasons why so many of the bigger computers have moved or are moving over to solid state main memory based on arrays of memory chips.

So far as mass memories on, and for some years to come, the magnetic disc in all its various forms will dominate the market. IBM, CDC, Memorex, 3M and several other companies have spent vast sums on constant improvements to disc drives and disc manufacturer technologies over the years to counter problems found in the thrust for higher speeds of both disc rotation and head movement.

The need for greater reliability in the read/write operation caused designers to fly the head closer and closer to the disc surface to the extent that now, by comparison to the actual clearance between head and disc, a human hair is a major obstacle. In fact in the head/disc assemblies, flying heights are now about 0.000019 inch compared with an average of 0.003 inch for human hair.

Need for absolute disc cleanliness prompted the design of the enclosed integral disc/drives by IBM on which BASF claims to have gone one better. Behind all this there is a general trend to return to the fixed discs of the earliest generation drives, primarily because of far better access times possible than with other disc types, together with superior data transfer rates and a reliability comparable with the best solid-state memory devices so far available.

But disc systems are among the most complex and mechanically perfect pieces of electro-mechanical design ever built and there is inevitably pressure inside the industry for devices that do not need this mechanical complexity and that will fetch and carry data at much higher electronic speeds than available with rotating technology.

These devices belong to one of three families—MOS random access memories, charge coupled devices and magnetic bubble memories.

If a table is drawn of storage capacities, plotted against cost to the user of storing one bin-

ary digit of information, MOS comes out as the most expensive by a wide margin, followed by CCD and the low capacity sector of fixed head/fixed disc. Magnetic bubble shows itself to be virtually independent of capacity and to overlap floppy disc to a considerable degree.

Removable disc is considerably cheaper but there are problems. The same graph plotted in access time against cost per bit shows magnetic bubbles, movable disc and tapes about in the same ball park as to cost, but having roughly two orders of magnitude of difference in access speeds between each.

Charge couple devices have much faster access times and transfer rates than bubbles but they are volatile and less reliable. Some manufacturers have dropped their development because they believe MOS-RAM to be the better bet.

Effort

Bubbles appear to have the edge at the moment and, indeed, a very major effort on these memory materials has been and is being made by Bell, Hewlett-Packard, IBM, Rockwell, Texas Instruments, Hitachi, NEC, Philips and Plessey.

As recorded elsewhere, Texas is using its bubble memories in products in the field, including portable terminals which have to take hard knocks. Meanwhile, Plessey in Britain is marketing its own product in various versions alongside replacement core and solid-state memory (MOS) which is being exported to many destinations, including even Japan.

This company has also developed the parallel technology of CCD (charge coupled device) to the stage where it can offer 3 Megabit serial units at low cost for data terminals and image processing work.

Competition in the bubble market is intense and the user area is awaiting with interest the appearance some time next year of a 1 Megabit commercial bubble memory on a card to be offered by Rockwell, which has been the recipient of large development funds from NASA.

These were intended primarily for the production of a 100 Megabit capacity black box flight recorder recently handed over to that organisation; the support is undoubtedly helping elsewhere.

Rockwell expects the market for this memory type alone to increase to \$500m over the next seven years, which cannot be pleasing for GEC which dropped its bubble in favour of CCD some years ago. This year's bubble shipments may be around \$4m.

By the mid-1980s single chips with as much as 16 Megabits per chip are expected and the break-even with floppies (says Rockwell) should come in 1980.

IBM is pursuing its own special line of development with bubbles eight times smaller than in present devices, which means far better packing densities.

Hybrids of floppies and bubbles, that Shugart calls "bubbles," could improve computer speed by a considerable amount—holding the most

likely piece of data to be required next in a bubble buffer in the drive.

Fully developed replacements for rotating storage are appearing on the scene, the most recent being the General Robotics "Microstore." This relies on 16K RAM chips with up to 2 Megabits of data with access better than 100 times faster than cartridge discs.

Earlier this year, Data Systems brought out a core-based replacement for discs available up to 4 Megabits in half-Megabyte blocks. Slightly more expensive than the systems it seeks to replace, it is much faster and more reliable while it does not demand a super-clean environment.

A rotating product of a very different kind, just unveiled by Philips, is one of the most exciting developments in data storage brought out this decade. It takes the form of a 12-inch disc on which information is recorded and read by a laser. Capacity per side is a staggering 500 Megabits, which means that the full disc can contain as much information as 1m A4 sheets better than a magnetic system. Access time to any address is 250 millionths of a second, faster than floppies.

The basis for this technology was laid during the seven years or so during which Philips was developing its unique video disc system. Judging by initial reactions to the announcement, the company could well make far more out of the data processing development than out of video.

دكتور محمد النور

Transformation in terminals

TERMINALS which perform systems network architecture and retrieval area with a system of displays and keyboards run by two micros, able to communicate over two channels and to drive 32 other devices.

In the same vein, Rascal-Milgo—one of the UK's few multi-nationals—has a display system able to replace IBM, Univac and Honeywell equipment and operate, itself, as a virtual machine, which is going some for a terminal costing typically \$20,000.

Meanwhile, though it may at first seem odd to call point of sale (Pos) devices communications terminals, there is every reason so to do because as matters are developing, they are likely to become essential links in the operation of credit card validity and authorisation checks.

Still in the communications area, one device that could face explosive growth is a car terminal with a small CRT used to receive secure police messages. Los Angeles police has placed a contract for a complete digital communications system under the control of four PDP11/70s. This will relay information and assistance to 850 cars and provide reaction times of between 5 and 15 seconds compared with as much as up to 20 minutes now.

The contract worth over \$27m has gone to Systems Development Corporation of Santa Monica, California. It will be completed by 1981 and make radio message tapping by criminals impossible.

Up-market from the basic teleprinter devices, competition is fierce and Texas Instruments are one of the most active contestants. This company has been using its experience in solid-state memory, including magnetic bubble technology to present some products which will be difficult to match. There is, for instance, a portable terminal with bubble memory that retains data even when power is switched off. This can be taken from site to site and information entered through the keyboard as required. When convenient, the contents of the memory can be transmitted to base at 800 baud through an acoustic coupler or at 9600 baud using an appropriate interface.

Texas has introduced an impact printer for time-sharing and other applications that has a larger 370 machines and has achieved an appropriate terminal speed of 150 cps and up to five copies can be produced.

While the U.S. makers supplied 80 per cent of all drives last year, their share by the end of the decade will have fallen to 76 per cent of the much larger total. In other words, non-U.S. manufacturers will almost treble their earnings between now and 1980, which is encouraging news for

This has been the most fraught area of the market since the beginning of the decade with successively GE, Singer and most recently Univac (with Accruscan) quitting the fray.

Doubling

Yet IDC forecasts a doubling of the installed base in America between now and 1982 when there will be 720,000 terminals installed worth \$2.4bn. And many of these will be second-generation machines having capabilities for both universal product code scanning and electronic funds transfer.

The departure of Singer, which dominated in general networks and use of the lead position with 36 per

cent of the market while ICL (Inc) and TRW are seeking the Singer replacement business.

To strengthen its marketing thrust, ICL has just launched a revamped or expanded PoS machine group aimed at the U.S. and the growing European customer bases.

So far as supermarkets go, NCR holds 60 per cent of the equipment market with National Semiconductors at 25 per cent.

IBM appears to be trying harder outside the U.S. than inside and particularly in Europe and the UK. That may be linked with a project now being hatched between the major British banks to link large stores into the bank operational centre communicating with the headquarters of each of the big banks. Giro and

the TSBs.

Costs could be around \$35m, rising rapidly as more terminals were installed by the remaining 80 per cent of large merchants whose operations are suitable for PoS/electronic funds transfer procedures.

Investment

This is a massive investment but bankers see the quick pro quo as a sharp reduction in the cost of handling paper of all types which is still on the increase.

Yet another outlet for terminals of several kinds, but mostly low in cost, will be the Euronet packet-switched network now being set up by nine countries to provide access all over the Continent to 100 and

scientific, engineering and other data bases controlled by 22 computers at various centres in Europe.

Four switching exchanges and five multiplexing centres will give national access to the system through terminals operating at speeds of 110 to 1300 bits per second.

How many of those will be needed is anyone's guess at the moment. If French predictions on the number of takers of the similar Transpac service are anything to go by, there could be several thousand within a very few years.

This again is a market to be in, particularly as it is so strongly influenced by the "convergence" phenomenon—the growing together of computing and communications.

Floppy discs show their strength

DESPITE RECENT gloomy predictions of a recession in some areas of the computer market next year, the forecasts for floppy disc drives and media remain bright and cheerful.

Growth is and will remain explosive with the pundits predicting expansion being anywhere between 30 and over 40 per cent a year until well into the 1980s.

The highest growth rate predicted, and applicable to drives, is nearly 42 per cent a year, according to U.S. consultant James M. Porter, who recently forecast that world sales of drives last year came close to \$280m and that they would grow at the above figure to better than \$620m in 1980.

Share

While the U.S. makers supplied 80 per cent of all drives last year, their share by the end of the decade will have fallen to 76 per cent of the much larger total. In other words, non-U.S. manufacturers will almost treble their earnings between now and 1980, which is encouraging news for

such companies as Britain's Drico, under the NEB wing, but doing well.

In the U.S., IBM leads the floppy drive market with about one-third of all sales. But it shares that market with 18 other companies, none of whom seem likely to go out of business for some time, such is the demand for their goods. Thus, over the next few years, the IBM share is expected to decline.

In OEM, however, Shugart is the leader, also with about a third of the market, followed by Calcomp at around 20 per cent and CDC at 15 per cent.

Venture Development, looking a little further into the future, puts disc drive sales in 1981 at \$405,000 with media off take as much as \$18.7m. Over half the equipment deliveries that year would be of IBM type drives from OEMs.

While practically all deliveries of equipment in 1976 were for one-sided 8-in discs, the share of these in the total market will be dropping to under 30 per cent by 1980, during which time, double-sided 8-in units will comprise half the total. At the same time, the mini-apples will ex-

pand to 25 per cent of total shipments by volume.

By value, world shipments in 1980 will be respectively almost \$200m for single 8 ins. almost double that for two-sided 8 ins and \$60m for the 5 1/4 ins units.

For the manufacturer who demands a unique medium, prudence dictates granting of manufacturing licences to one or preferably more producers rather than going it alone.

Looked at from the user's standpoint, the main concern is durability and freedom from defects which might cause erroneous data. The user will consider any system malfunction a data error, whatever the source, and will for most of the time not be able to determine what is the root cause, especially if the error is transient.

Because the industry is under such tremendous pressure to expand quickly and because it is not possible for one particular type of disc or drive to meet the vast range of applications being dreamt up for it, a manufacturer using the product as his own evaluation before selecting a supplier.

This must take in availability, and economics, as well as technical performance. Once his own product is going out to end users it will be almost too late to go back to the disc maker or the media supplier with serious complaints.

as there should be—some tacit accord among the main makers for sensible standards.

That this is a distinct possibility was underlined some time ago by Perdec, which brought out a 5 1/4 inch drive that was to all intents and purposes compatible with a Shugart unit launched earlier. Mounting holes and outline dimensions tallied and signal interfaces were compatible. Slight differences existed in performance.

Plug compatibility along these lines is expected to develop further. Meanwhile, one of the main difficulties in evaluating this particular market adequately is the way in which the end-applications are changing—or at the very least, the way in which jargon and definitions change.

For instance, most of the off-take for floppies in 1977 was for intelligent terminals. But these are growing so quickly in their power and versatility that many could be and are being reclassified this year as "small business systems" in their own right. So that this market sector becomes the major outlet.

Last year, data entry units, micro systems and word processors each took 10,000 floppy disc units, with 20,000 going into larger computer systems and 60,000 for small business systems. Intelligent terminals, however, absorbed 90,000.

This last figure is expected to be the same in 1981, by which time, however, small business systems off take should have expanded to 190,000, word processors and micros to about 70,000 each, large computers and minis to 30,000 and data entry about unchanged at 10,000.

Memory

This is a method of data recording and storage which has encroached sharply on many others, including magnetic tape, hard disc and cassettes. It is not expected that it will be surpassed for applications where a permanent or semi-permanent method of record is required, at least well into the 1980s.

Bubble memory is its most serious challenger, though there are developments which also could eat into part of the floppies market.

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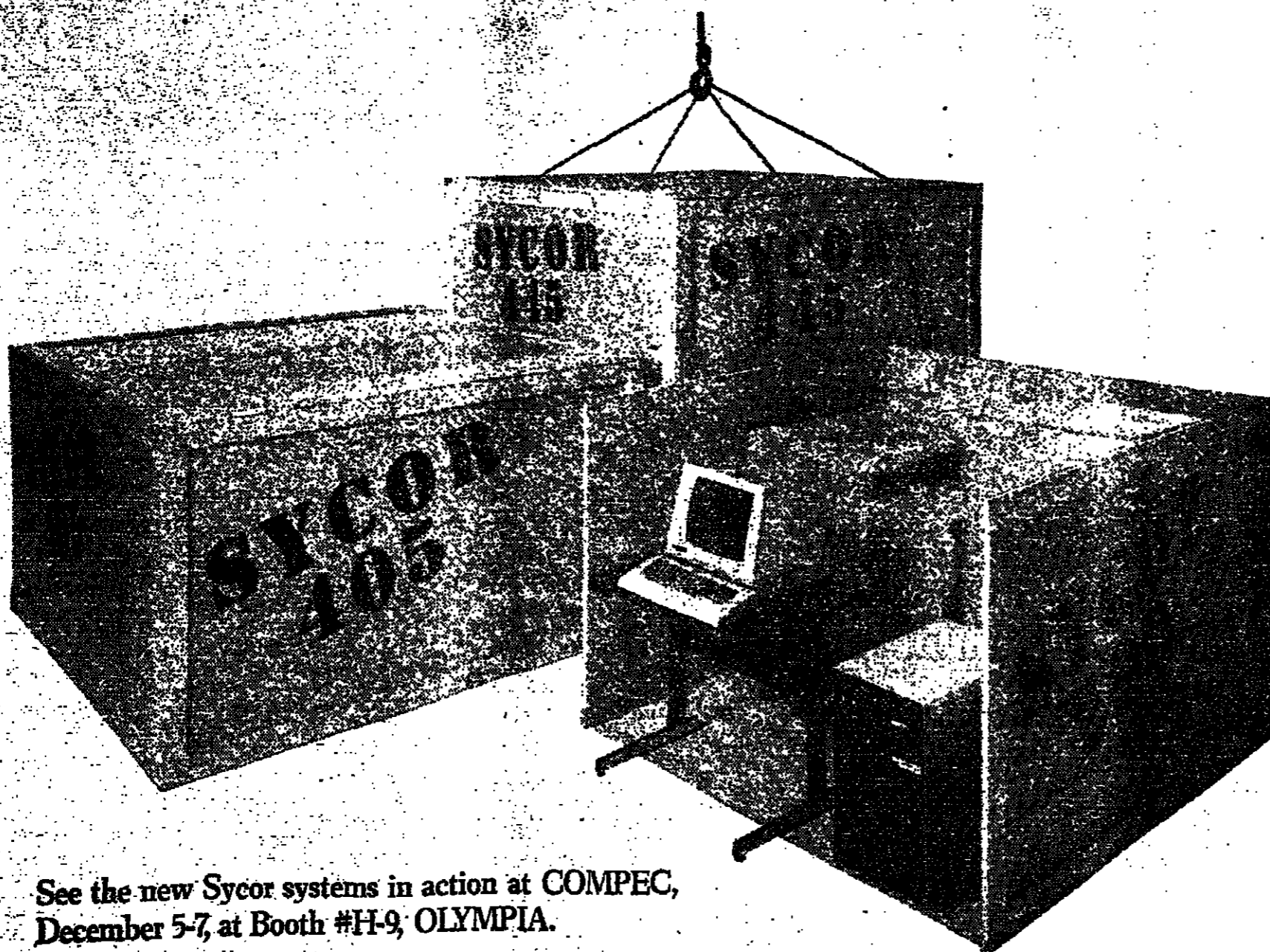
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See the new Sycor systems in action at COMPEC, December 5-7, at Booth #H-9, OLYMPIA.

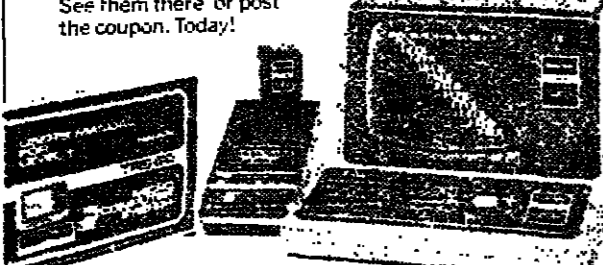
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COMPUTER PERIPHERALS IV

Microfilm still has a major part to play



Philips ultra-compact diode laser optical recorder uses a pre-grooved double-sided 12-inch disc. This can store 500,000 A4 pages

LASER PRINTERS which operate at previously unheard of speeds, are giving print managers in many data processing centres more sleep to worry about.

Alternative forms of data reproduction, particularly the computer output on microfilm (COM) have not made the progress that had been anticipated nor have they cut into the printer market as first predicted, except in some specialised areas.

Advantages

Yet the big advantages of COM remain—ability to print out information 10 times faster than the fastest line printer; offering cheaper media than multi-copy forms as well as far less expensive distribution; and simple production of hard copy when required.

Many companies who launched into COM when it was as revolutionary as optical character reading have given up and the list includes such prestigious names as Sperry Rand, IBM, Univac, Gould, Peritel and Harris.

One disadvantage is that IBM did not proceed with the technology. Also there is the need for readers to access the information, the ease with which an important file can be destroyed if a file is removed or displaced, and the difficulty once the system is operating of effecting corrections rapidly.

But despite all this, the system appears to have found its niche in the data processing

market and the five protagonists—Kodak 3M, Memorex, Datagraphics, Quantar and NCR (the last two about to merge)—seem assured of a steadily growing market up to the middle of the 1980s, according to Datapro Research Corporation.

Installed base by the end of the current year should be not far short of 6,000 units, rising to 8,340 at the end of 1980 and 15,700 five years thereafter—a respectable growth rate by any standards. Indeed new makers are joining, including Fuji Photo Film which has begun to market a laser film unit with the capacity to process up to 8,000 pages an hour.

But it is not yet absolutely clear which way COM techniques will go; whether manufacturers will continue to offer cathode ray tube recording or move over to laser recording techniques. Several have experimented with and developed machines based on each.

CRT equipment has the edge over the laser writers in that no moving parts are involved, costs and maintenance are negligible. But in speed and resolution, laser-based equipment gains.

On the debit side for laser systems is the need to use high precision moving parts and printing limited to dot matrix methods. Also high output laser systems are subject to safety regulations.

Kodak's Comstar series uses a helium-neon laser of relatively

lower power and the company has made up for this by developing a special high-speed, high resolution film.

3M, which has developed both, sees the CRT side restricted in its development only if appropriate films are not available.

Apart from this dichotomy, there is a debate on whether or not COM equipment should be intelligent and the consensus at

the moment seems to be that ultimately all COM recorder types will have their own mini or micro controller and be linked to the computer they serve just like any other peripheral.

But added intelligence will allow them to accept any tape, alter formats quickly and impose no load on the main machine.

Observers expect to see a

concerted move to film processing methods delivering a dry or near-dry end-product and away from the wet chemical processes generally in use now.

In order for COM to become an archival system that can function for both output and retrieval of a vast amount of information, much more development is needed.

Kodak has certainly gone part of the way with its LPT-50 microimage terminal. This unit can be controlled through short bursts of information from a main computer or a local processing mini to a resident processor which will then search out the required page or pages of information in a real-time, on-line mode and then display the retrieved document or data.

The unit stores over 10,000 A4 size documents in a magazine four inches square by one square inch deep and provides hard copy.

This unit would be particularly useful in cases where operators have a very large database and have elected to hold only the most critical information on-line in the computer, together with an index to the COM file contents, or alternatively hold only the latter.

Whatever the shortcomings of COM methods, there is no doubt that they have solved some of the more serious problems of the big clearing banks including the great headache of providing a daily accurate balance for each customer in several thousand branches.

The immediate aim of the

programme which started about three years ago was to lighten the burden of printing multiple paper copies and distributing them from one or two centres to destinations throughout the country. The ultimate aim will be to provide daily firm lists for each client.

At Barclays, for instance, the move demanded the installation of eight Kodak COM units working under the control of Hewlett-Packard minis, serving six film processors and microfilm duplicators. This is an impressive array of equipment but it serves 5,000 branches and 10m accounts. It is not at the end of the line and many other applications of COM are in train for a variety of banking processes.

Expanded

At National Westminster Bank the COM service bureau subsidiary has expanded to cover most of the country as well as penetrate the European market. Its advance compared with the relatively slow progress of company COM in the EEC area prompts the thought that, as COM systems now stand, they may well best serve in the hands of such specialists, or of large organisations that can afford the services of experts in this area. It would, however, need relatively little development to tame the beast to the extent that the average data processing user would have no qualms in installing a unit that brings in techniques totally alien to other forms of computer output.

Slow decline of punched cards

BRAINCHILD OF Dr. Hollerith, principle used to create the raucous melodies of the fairground organs and the mechanical pianos of pre-war years, the punched card has on several occasions over the past five years been forecast to disappear as a data capture unit. But like Charles II it is taking a long time to die.

And the same punched card principle used to create the raucous melodies of the fairground organs and the mechanical pianos of pre-war years, the punched card has on several occasions over the past five years been forecast to disappear as a data capture unit. But like Charles II it is taking a long time to die.

alone, having a book value of nearly \$500m and thus an asset that cannot be written off overnight. But it will be less than half the value by then of alternative data capture equipment—key to disc, etc.

In fact, the rate of decline of these units has been surprisingly slow in face of the obvious merits of the many new devices which capture, or enter, data for computer use much faster and with a far greater degree of reliability.

A rate of erosion of only 10,000 keypunches a year over the next four years in Europe suggests that there are other reasons for the longevity of this form of data capture than the traditional one of the great length of time it took IBM to move away from punched cards due to the lush rental revenues it was drawing from its thousands of machines installed world-wide.

IBM was aided and abetted by Univac, as a latecomer to that sector of the market, and only last year, Univac UK's managing director Bill Reid admitted gleefully to making a great deal of money from the Univac buffered card punch series still operating in Britain.

Average

The same trend is reported from the US where there were 250,000 key punches installed in 1976, a base expected to decrease at an average of less than 10 per cent per year up to 1981. This 250,000 keyboards compared with a combined total of 188,000 key to tape, key to disc and key to floppy disc data entry stations.

The rate of decline is thus comparable on both sides of the Atlantic and there are several factors slowing it down, one of which is customer resistance.

New markets for the punched card have been developed and equipment is constantly being manufactured to meet this need.

Decision Data Computers (DDC) is one of the few manufacturers of both 80 and 96 column on and off line equipment and, according to the company, the present success of the card lies in its ability to meet a fundamental need where it cannot be easily or economically replaced.

Examples of these newly approached markets include areas where adverse operating conditions exist, eg production control or process control, both areas where the card is superior to other media. The punched card can be written on, carried round the factory or warehouse, fed simply into any system and it is tough, durable and cheap.

Decision Data on-line punched card equipment at Bunge and Co., commodity merchants, in London where it is linked directly to an IBM System 34 with card input

Another area which demonstrates a natural superiority for the card is in retail or distribution trades where it may be a turnaround document for clothes or shoes, then fed through in a batch manner to client stock statistics.

Decision Data recently linked its 9810/09 on-line punch-card equipment to an IBM System 34 for the firm of Bunge and Company, commodity merchants in the City of London.

Bunge's decision to go for on-line card equipment stemmed from a search for a replacement for its IBM System 3 Model 10 which was installed six years ago.

The company spent over a year searching the market and only the Decision Data device enabled Bunge to use IBM System 34 with card input as the company required.

This system was set up with 64K bytes of memory, 27M

bytes of fixed disc, five visual display terminals, a 300 lpm printer, a matrix printer, and double density, double sided floppy disc drives. But the company's application required "shipping" documents, and punched cards were a must—for both financial and ease-of-use considerations. Other solutions offered by manufacturers were either financially unsuitable or impractical.

The cost of 30 cards is some 10p and cannot be compared financially with other media such as floppy disc—which would not be utilised fully. Other mass storage devices are also unsuitable and have the

menhous handling problems. In addition to the advantages of the card in these and similar turnaround document applications, cards also remain popular for computer program preparation because they are fast and easy to prepare and they pro-

vide a tangible, readable unit of program data that is easy to change. Cards also remain one of the best means of setting up computer job control restrictions, regardless of how or where the data is fed in or stored.

Input

But all of the quoted special uses are insufficient to account for the quantities of key punches, both buffered and unbuffered that remain in use. So the key punch remains a major factor in the volume data input device competition, especially among small to medium size computers.

Meanwhile, punched card users still account for a substantially higher percentage of data entry operations in the UK than any other single type of data entry device.

But having said all that, it must be remembered that initial offers of replacements for punched card equipment were sometimes based on the both for manufacturers and the unwary users.

Then, at a later stage, too many companies jumped on to the key-to-disc bandwagon with serious consequences for some data capture equipment under-

who suffered several years of poor financial results in consequence. Indeed, threatening users with the headache of lack of support should the affected supplier collapse.

For the past two years, however, this section of the market has apparently settled down and several of the participating companies, such as Redifon and CMC have scored remarkable progress. Redifon can, and indeed frequently does, call itself the second largest British computer company—it is probably the most significant Western presence in the East European computer market.

Key-to-disc seems to be running at a fairly steady pace but key-to-floppy disc is a rapid growth area and it is very likely that here is the equipment that will finally lay the punched card of Herr Hollerith and Monsieur Jacquard to a well-deserved rest.

At the same time, many new small business computers are now being offered with data entry as a matter of course. What share of the input market this now represents is a matter for conjecture. It could be as much as half the volume of data entry, though this does not seem to worry the makers of serious consequences for some data capture equipment under-

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1923, 1925, 1927, 1929, 1931, 1933, 1935, 1937, 1939, 1941, 1943, 1945, 1947, 1949, 1951, 1953, 1955, 1957, 1959, 1961, 1963, 1965, 1967, 1969, 1971, 1973, 1975, 1977, 1979, 1981, 1983, 1985, 1987, 1989, 1991, 1993, 1995, 1997, 1999, 2001, 2003, 2005, 2007, 2009, 2011, 2013, 2015, 2017, 2019, 2021, 2023, 2025, 2027, 2029, 2031, 2033, 2035, 2037, 2039, 2041, 2043, 2045, 2047, 2049, 2051, 2053, 2055, 2057, 2059, 2061, 2063, 2065, 2067, 2069, 2071, 2073, 2075, 2077, 2079, 2081, 2083, 2085, 2087, 2089, 2091, 2093, 2095, 2097, 2099, 2101, 2103, 2105, 2107, 2109, 2111, 2113, 2115, 2117, 2119, 2121, 2123, 2125, 2127, 2129, 2131, 2133, 2135, 2137, 2139, 2141, 2143, 2145, 2147, 2149, 2151, 2153, 2155, 2157, 2159

MILLETTS LEISURE SHOPS LIMITED

approximately 800 employees (of whom some 260 are part-time); 105 are employed in the head office and warehouse. Over half the employees are female.

The Group employs a full time training officer and provides detailed training instruction for all staff. The Distributive Industry Training Board has carried out an extensive review of the staff training methods and, as a result, we have received the Distributive Training Award.

A retirement benefits plan is operated for senior and middle management. All full-time and part-time employees who have completed one year's service, including Executive Directors other than myself, participate in a group profit sharing scheme to which 5 per cent. of the Group's revenue profit before taxation is allocated. Distributions of profit share are made in December each year and are based partly on historical and partly on estimated group profits. Emphasis is laid on management reward and it is hoped to introduce a share incentive scheme for Executive Directors and senior members of the Group as soon as fiscal and other conditions are favourable, subject always to the prior approval of the shareholders.

A large number of employees have been with the Group for many years; relations with employees have always been good and regular consultations are held with management. There is a Joint Consultative Committee, comprising representatives of branch and head office employees, chaired by an Executive Director, which meets to discuss terms of employment, facilities or any other matters affecting employees.

PREMISES AND VALUATION

The Group occupies a modern purpose-built warehouse and head office complex at Moulton Park, Northampton to which it moved in 1973. The original site comprising 2.9 acres is held on a long lease from Northampton Development Corporation expiring in 2073 at an annual ground rent of £1,350 subject to review on 29th January, 1995 and thereafter every 21 years. On this site, the Group has built some 35,000 square feet of warehousing and 9,500 square feet of offices which are included at £600,000 in the valuation referred to below. The Group has now virtually completed a 23,000 square feet warehousing extension for which purpose it will, on completion, accept from Northampton Development Corporation a lease of 2.7 acres directly adjoining the original site for the same period as the original lease and at an annual ground rent of £9,450 subject to the same reviews. There is planning permission for 37,000 square feet of further warehouse development on that part of the new site not covered by the current extension.

The Group owns eight freehold and long leasehold shops. The other shops are held under short leases of which 26 are leases expiring within 10 years, 28 between 11 and 20 years, 21 between 21 and 30 years and 5 between 31 and 50 years. In addition, as a result of the rationalisation of the branch network, the Group owns 15 freehold and 12 leasehold properties from which it does not currently trade and most of which are let.

Healey & Baker, Surveyors and Valuers, have carried out a valuation of each of the Group's properties, as at 31st July, 1978, on the basis of open market value of the interest held by the Group, subject to and with the benefit of leases granted to third parties, but otherwise with vacant possession. This valuation is summarised as follows:—

	Properties wholly or partly occupied by the Group	Properties not occupied by the Group	Total
Freehold	820,000	777,000	1,603,000
Leasehold with 50 years or over unexpired	672,500	93,500	766,000
Leasehold with under 50 years unexpired	1,201,300	68,000	1,269,300
	<u>£2,699,800</u>	<u>£938,500</u>	<u>£3,638,300</u>

The accounts have been adjusted to reflect a surplus of £1,151,000 arising from the valuation of £1,603,000 for the freehold properties, which is the policy of the Group to retain. No account has been taken of the contingent liability to tax on capital gains of £342,000 which would arise on the disposal of most of the freehold properties at valuation but £5,000 has been provided in respect of the potential tax liability on two properties which the Company has present plans to sell. The valuation of the leasehold properties amounting to a total of £2,035,300, (which is not to be incorporated in the accounts) represents a surplus of £1,076,400 over the book value.

ASSETS EMPLOYED

The Consolidated Balance Sheet at 31st July, 1978 which is shown in the Accountants' Report illustrates the present strength on which the continuing expansion programme will be based.

The net tangible assets, taking into account the net proceeds of the issue, are summarised as follows:—

Net assets at 30th January, 1978	£2,609
Retained profit for period to 31st July, 1978	552
Surplus on revaluation of freehold properties	1,151
Net proceeds of the issue	530
Assets attributable to the Ordinary shares	<u>4,842</u>

The above total represents assets of 93p per Ordinary share on the enlarged share capital.

The surplus on revaluation of leasehold property, referred to earlier and which is not reflected in the above figures, represents an additional net asset value of 21p per Ordinary share (before providing for potential tax on capital gains).

PROCEEDS OF ISSUE AND WORKING CAPITAL

Of the 1,707,560 Ordinary shares which are the subject of this Offer for Sale, 700,000 are new Ordinary shares being issued by the Company for cash. The proceeds of the issue of these new shares, after deducting the expenses of the Offer for Sale payable by the Company, will raise £530,000 of additional working capital for the further expansion of the Group as set out above.

Taking into account the net proceeds of the issue and the banking and other facilities available to the Group, the Directors are of the opinion that the Group has adequate working capital for its present requirements.

PROFIT FORECAST

The development of the Group's business has been described above and its effect on profits is quantified in the Accountants' Report. Over the five years to 30th January, 1978, operating profits before taxation, which include rental income but exclude surpluses on disposal of properties, have increased from £168,000 to £603,000.

The audited figures for the half year to 31st July, 1978 show a considerably improved profit margin on an expanding sales base.

Having regard to the profit earned in the half year ended 31st July, 1978 and subsequent management information and, on the basis of the assumptions set out under "Information Relating to the Profit Forecast", the Directors are confident that in the absence of unforeseen circumstances the operating profit of the Group before taxation for the year ending 29th January, 1979 will be not less than £1,000,000, which does not include an estimated net surplus on disposal of properties amounting to £59,000.

DIVIDENDS AND APPROPRIATION OF PROFIT

On the basis of the forecast of operating profit before taxation of not less than £1,000,000 for the year ending 29th January, 1979, the Directors intend to recommend for payment in July, 1979, a final dividend of 3.015p per share (equivalent to 4.5p gross with related tax credit at the rate of 33 per cent.).

In respect of a full year in which a similar level of profit were to be earned, the Directors would expect to recommend dividends totalling 5.695p per share (equivalent to 8.5p gross with related tax credit at the rate of 33 per cent.). It is intended in future years to pay interim and final dividends in November and July respectively.

The following table sets out, by way of illustration only, how an operating profit before taxation of £1,000,000 would be appropriated ignoring surpluses on disposal of properties, and assuming (in column A) a charge for corporation tax at 52 per cent. and (in column B) the expected tax charge for the year to 29th January, 1979 based on the forecast stock levels and capital expenditure. The figures also assume total dividends of 5.695p per share on the enlarged share capital of £1,040,000:—

	A	B
Profit before taxation	£1,000	£1,000
less: Taxation	520	160
Profit after taxation	480	840
less: Dividends	296	296
Retained profit	184	544

Cover for dividends 1.6 times .. 2.8 times

At the Offer for Sale price of 110p the gross dividend yield would be 7.7 per cent.

On the basis of the illustration and 4,607,000 shares, being the weighted average number of shares in issue during the year to 29th January, 1979 taking into account the new shares now being issued, the earnings per share based on a 52 per cent tax charge would be 10.42p and, at the Offer for Sale price, the Company would be valued on a price earnings multiple of 10.55. On the same bases but taking the expected tax charge, the earnings per share would be 18.23p and the price earnings multiple would be 6.03.

My wife and I have agreed to waive our entitlements to the proposed final dividend in respect of the year ending 29th January, 1979 to the extent of £50,360.

PROSPECTS

With particular emphasis on quality control, competitive prices and continuous improvement of our shop premises, we will be able successfully to satisfy the growing demands of our customers for our full range of leisure merchandise.

In addition to the two new shops to be opened in the current year, plans are now in hand for the opening of seven new shops with a total selling area of 27,000 square feet. Our spread into the North East of England and into Scotland is of particular significance.

The expansion of our warehouse should provide the capacity required by the Group for the next five years and, with a strong balance sheet and an enthusiastic team, the Company is well placed to continue its growth.

Yours faithfully,
ALAN MILLETT,
Chairman.

ACCOUNTANTS' REPORT

The following is a copy of the Report by Peat, Marwick, Mitchell & Co.:—

The Directors,
MILLETTS LEISURE SHOPS LIMITED
COUNTY BANK LIMITED

1, Puddle Dock,
Blackfriars,
London, EC4V 3PD.
30th November, 1978

Gentlemen,

We have examined the audited accounts of Millets Leisure Shops Limited ("the Company") and of its subsidiary companies, collectively referred to as "the Group", for the periods relevant to this report. The accounts were prepared under the accounting convention referred to in note 1 below. We have been auditors of the Group in respect of all the relevant accounting periods.

The summarised profit and loss accounts, source and application of funds statements and balance sheets set out below are based on the audited accounts after making such adjustments as we consider appropriate. In our opinion these summaries, together with the notes thereon, give, under the convention stated below, a true and fair view of the profits of the Group and of the source and application of funds for the periods stated and of the state of affairs of the Company and the Group as at the dates stated. No audited accounts of the Company or any of its subsidiaries have been made up in respect of any period subsequent to 31st July, 1978.

1. Accounting Policies

The summaries set out in this report have been prepared on the basis of the following significant accounting policies which, with the exception of the policy on depreciation of freehold buildings noted below, have been applied consistently throughout the period under review:—

1.1 Accounting convention

The accounts have been prepared under the historical cost convention supplemented by the revaluation of freehold properties at 31st July, 1978.

1.2 Basis of consolidation

The accounts of the Group comprise the accounts of the Company and all its subsidiaries.

1.3 Turnover

Turnover represents the value of goods sold outside the Group, excluding Value Added Tax.

1.4 Depreciation

Following the revaluation of freehold land and buildings on 31st July, 1978, freehold buildings are being written down by equal annual instalments to residual value over their estimated life. Freehold land is not depreciated and for accounting periods ended on or before 31st July, 1978 freehold buildings were not depreciated.

Leasehold properties are written off by equal annual instalments over the shorter of 40 years or the unexpired term of the lease.

Shop fronts, fixtures and fittings are written off by equal annual instalments of 10 per cent. and vehicles of 20 per cent.

1.5 Deferred taxation

Deferred taxation would be provided on timing differences in respect of capital allowances on fixed assets and on stock relief except when such liabilities were not expected to arise in the foreseeable future. No provisions for such deferred taxation are included in the tables below because the directors are of the opinion that no liabilities will arise in the foreseeable future.

Deferred taxation on chargeable gains rolled over is provided at 30 per cent. No provision is made for the taxation liability which would arise if the freehold properties were sold at their balance sheet values, except for properties which the Group has present plans to sell.

1.6 Stock

Stock is valued at the lower of cost and net realisable value. Cost is determined by deducting the appropriate rate of gross margin from the selling value.

1.7 Exchange rates

Amounts in foreign currencies are translated into sterling at the rates of exchange ruling on the dates of the transactions.

2. Profit and Loss Accounts

	52 weeks ended 30th January, 1978	52 weeks ended 31st February, 1978	52 weeks ended 31st January, 1978	52 weeks ended 31st January, 1978	52 weeks ended 31st January, 1978	26 weeks ended 31st July, 1978
Sales	£1,430	£1,485	£1,680	£1,680	£1,680	£1,680
Cost of sales	2.1	4,040	5,262	6,496	7,831	9,049
Trading profit before taxation and extraordinary item	90	223	364	427	518	477
Rents receivable and other income	78	79	68	85	85	67
Operating profit	168	302	432	512	603	544
Surplus on disposal of properties	56	112	56	28	74	115
Profit before taxation and extraordinary item	224	414	488	540	677	659
Taxation	16	64	131	31	254	107
Profit after taxation and before extraordinary item	208	350	357	519	423	552
Extraordinary item	33	—	—	—	—	—
Retained profit	175	350	357	519	423	552
Adjusted earnings per share	2.5	4.6p	7.8p	7.9p	11.5p	9.4p

Following the valuation of freehold properties referred to in note 3.1, there will be a charge for depreciation of freehold buildings in accordance with note 1.4 from 1st August, 1978 at an approximate level of £8,000 per annum.

Interest:
Bank interest .. 84
Mortgage interest .. 10
Other interest .. 103

Directors' emoluments were £73,000 for the 52 weeks ended 30th January, 1978 and £43,000 for the 26 weeks ended 31st July, 1978.

2.2 Taxation

U.K. corporation tax at 52 per cent. of adjusted trading profit before relief for timing differences	69	164	269	293	374	299
Relief for timing differences including stock relief and capital allowances on fixed assets	69	138	154	284	166	221
Corporation tax charged in accounts	—	26	115	4	308	78
Overseas tax	—	5	4	3	7	6
Deferred tax on property disposals	12	33	12	9	39	23
Taxation per accounts	16	64	131	21	254	107

2.3 No account has been taken in the above summaries of earnings estimated at £43,000 before tax for the 52 weeks ended 30th January, 1978 arising from assets acquired by the Group from Mr. A. C. Millett in 1971 which represented a share of a former partnership bequeathed from the estate of his deceased brother. Their carrying value will be paid to the Group but have not been included above as the amount of taxation to be borne thereon has not yet been established.

2.4 The extraordinary item in 1974 comprises relocation expenses incurred in moving the Group head office and warehouse to Northampton.

2.5 The calculation of the adjusted earnings per share is based on profit after tax as stated in the accounts and before the extraordinary item and on the 4,500,000 Ordinary shares of 20p each in issue immediately prior to the Offer for Sale.

2.6 The Company has paid no dividends since the date of its incorporation.

3. Balance Sheets

	31st July, 1978	31st January, 1978	31st January, 1978	31st January, 1978	31st January, 1978	31st July, 1978
Fixed assets:						
Freehold properties	3.1	240	282	289	414	490
Leasehold properties		300	704	739	767	780
Shop fronts, fixtures and fittings		293	434	414	499	722
Motor vehicles		25	29	34	22	23
Investments in subsidiary companies	3.2	—	—	—	—	—
		<u>848</u>	<u>1,449</u>	<u>1,466</u>	<u>1,702</u>	<u>2,014</u>
Current assets:						
Stock		865	1,199	1,170	1,448	1,878
Debtors		161	157	156	177	327
Cash		9	11	27	24	31
		<u>1,035</u>	<u>1,337</u>	<u>1,353</u>	<u>1,649</u>	<u>2,236</u>
Current liabilities:						
Bank overdraft (secured)		201	312	253	271	855
Creditors		323	475	608	726	624
Taxation		182	97	56	149	132
		<u>706</u>	<u>884</u>	<u>917</u>	<u>1,146</u>	<u>1,611</u>
Net current assets		329	443	436	503	625
Less: Deferred taxation		3.4	(365)	(911)	(538)	(871)
		(10)	(21)	(54)	(67)	(115)
Attributable to shareholders		<u>802</u>	<u>960</u>	<u>1,310</u>	<u>1,667</u>	<u>2,186</u>
Representing:						
Ordinary shares	3.6	60	60	120	120	120
Reserves	3.7	742	900	1,190	1,547	2,066
		<u>802</u>	<u>960</u>	<u>1,310</u>	<u>1,667</u>	<u>2,186</u>
Net assets at 31st July, 1978 (as above)		1,330	1,330	1,330	1,330	1,330
Estimated net proceeds of proposed issue (note 3.6)		530	—	—	—	—
Adjusted net assets attributable to shareholders		<u>1,860</u>	<u>1,330</u>	<u>1,330</u>	<u>1,330</u>	<u>1,330</u>

Notes:

	Cost or value	Depreciation	Net book value
3.1 Fixed assets			
Freehold properties	1,603	—	1,603
Leasehold properties	1,039	264	775
Shop fronts, fixtures and fittings	1,091	297	794
Motor vehicles	57	34	23
	<u>4,794</u>	<u>595</u>	<u>4,199</u>

The Group's freehold properties were valued on an open market basis as at 31st July, 1978 by Healey & Baker, Surveyors and Valuers. The valuation of these freehold properties has been incorporated in the above summaries and the surplus over book value, after providing for deferred tax in accordance with note 1.5, has been credited to the revaluation reserve.

3.2 The Company's investment in subsidiaries at 31st July, 1978 comprised shares at cost of £1,337,000 less amounts due to subsidiaries of £7,000.

3.3 The consideration for the share of the former partnership acquired from Mr. A. C. Millett (note 2.3) was agreed by the valuation settled for estate duty on the death of his brother and included an estimated amount of £125,000 for goodwill; this amount has been written off prior to the period under review. The consideration will be reduced to the extent if any, that the agreed estate duty valuation of goodwill falls short of £125,000, but no additional consideration will arise if a higher valuation is agreed.

3.4 Loans at 31st July, 1978, comprised:—
Mortgages:
At 7 per cent. repayable at £2,500 p.a. until 1980 and then outstanding balance .. £200
At 12 per cent. repayable at £6,067 p.a. until 1990 and then outstanding balance .. 36
Short term repayable within 3 years .. 272

3.5 In accordance with note 1.5 deferred tax has been provided only in respect of tax liabilities on chargeable gains rolled over at 31st July, 1978 and on the revaluation surplus in two freehold properties which the Group has present plans to sell. The potential amount of additional deferred tax at 31st July, 1978 is as follows:—

Stock	439
Capital allowances on fixed assets and other timing differences	262
Capital gains on revaluation of other freehold properties	1,417

3.6 On 27th January, 1973 the authorised and issued share capital was £60,000 in Ordinary shares of £1 each. On 18th July, 1974 and 12th September, 1977 the issued share capital was increased by bonus issues of £1 Ordinary shares of £120,000 and £300,000 respectively.

On 29th January, 1978 the issued share capital of the Company was further increased to £600,000 by a bonus issue of £4 Ordinary shares. On 30th November, 1978 the issued share capital was changed by the sub-division of the existing 600,000 Ordinary shares of £1 each into 3,000,000 Ordinary shares of 20p and the bonus issue from a capitalisation of reserves of 1,800,000 new Ordinary shares of 20p each.

Under the terms of the contract dated 30th November, 1978 with County Bank Limited, the Company has agreed to allot and issue a further 700,000 Ordinary shares of 20p each, each carrying a cash consideration of 110p each, which will raise £77,000 after deducting expenses.

3.7 Movement in reserves

	January 1974	January 1975	January 1976	January 1977	January 1978	July 1978
Share premium account:						
Balance at beginning of period	1,270	1,270	1,210	1,210	1,210	830
Capitalisation bonus issue	—	60	—	—	—	380
Balance at end of period	1,270	1,210	1,210	1,210	830	830
Retained earnings:						
Balance at beginning of period	393	548	898	1,255	1,774	2,197
Retained profit for period	155	350	357	519	423	552
Balance at end of period	548	898	1,255	1,774	2,197	2,749
Revaluation reserve	—	—	—	—	—	1,317
Group reserves at end of period	1,818	2,108	2,465	2,984	3,027	4,496
Goodwill arising on consolidation	(918)	(918)	(918)	(918)	(918)	(918)
Reserves per balance sheet	900	1,190	1,547	2,066	2,109	3,578

The Company has no retained earnings, its reserves being share premium account.

3.8 Contingent liabilities

(a) At 31st July, 1978 a subsidiary company had guaranteed an overdraft of a third party up to a maximum of £125,000; this guarantee has since been discharged with no claim against the Group.

(b) The Company has guaranteed overdraft and other liabilities of a subsidiary company which at 31st July, 1978 aggregated approximately £720,000, and has also guaranteed rental payments by a subsidiary currently for £23,000 p.a.

INDUSTRIALS-Continued INSURANCE-Continued PROPERTY-Continued INV. TRUSTS-Continued FINANCE, LAND-Continued

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